





## India's Surplus an Example

## Revised World Food Forecast: Upbeat

By Dan Morgan

WASHINGTON, June 7 (UPI) — A series of bumper harvests has given India, which often turned to the United States for emergency grain shipments to avert famines in the 1960s, a 20-million-ton stockpile of food, the agricultural direc-

tor of the World Bank reported yesterday.

The stockpile was cited by Montague Yudelman as part of a moderately optimistic report on the global food situation. Mr. Yudelman also concluded that there is enough "underutilized capacity" in agriculture to feed six billion per-

sons by the year 2000. The current world population is slightly more than four billion.

"Certainly, if we bend our minds to this [food production task], it can be done," he said.

But Mr. Yudelman warned that "it would be wrong to say there's no problem." He said in a report that "the core of the world food problem" involves countries with food deficits, large numbers of undernourished persons and inadequate foreign exchange reserves to pay for imports on commercial terms.

## Larger Deficits Expected

In 1975, these countries needed to purchase only about 12 million tons of grain in commercial world markets. Much of the remaining food deficit was covered by foreign loans and food aid. But, by 1990, as the food deficits of these countries increase, they will need to buy 70 million to 80 million tons, a volume beyond their ability to pay, Mr. Yudelman said.

He said that the World Bank's strategy has changed dramatically in response to this situation. Since 1974, he said, the institution has increased credits to small farmers. Agricultural and rural development loans for the fiscal year ending June 30 will exceed \$3.3 billion, almost four times the amount of 1974.

Mr. Yudelman said that the World Bank had rejected assumptions carried over from "colonial thinking." He said: "We are finding out in reality that food production requires more and more capital and that low-cost means of agricultural production are very difficult to find." Long-range irrigation requirements alone exceed \$100 billion, he said.

Although grain prices have declined substantially from their peak in 1974, they are still double those of the late 1960s, and there are wide regional variations in food production.

World Bank experts attribute recent Indian successes to good weather, expansion of irrigation, introduction of high-yielding wheat varieties and government policies that encouraged farmers. India has had more difficulty increasing its output of rice, the major grain crop.

The world now has 20 percent of its annual grain needs as reserve stocks, compared with 12 percent three years ago. About half of this surplus is in the United States.

Mr. Yudelman noted that the world also has an enormous "reserve" in the form of vast acreages now used for growing crops to feed animals.

## U.S. Base Said Given to Russia

TOKYO, June 7 (UPI) — Vietnam has turned the U.S.-built naval base at Cam Ranh Bay over to the Soviet Union, a U.S. scholar said today.

Howard Chao, 57, a member of Yale University's East Asia Language and Literature Research Center, said that his information came from Chinese refugees from Vietnam, whom he interviewed recently in southern China.

ANNAPOOLIS, Md., June 7 (UPI) — Following are excerpts from President Carter's speech on U.S.-Soviet relations today.

Today, I would like to discuss one of the most important aspects of the international context — the relationship between the world's two greatest powers, the United States and the Soviet Union.

We must realize that, for a very long time, our relationship with the Soviet Union will be competitive. If that competition is to be constructive instead of dangerous and potentially disastrous, then our relationship must be cooperative as well.

We must avoid excessive swings in our public mood — from euphoria when things are going well, to despair when they are not; from an exaggerated sense of compatibility to open expressions of hostility.

Detente between our two countries is central to world peace. It is important for the world, for the American public, and for you as future leaders of the navy to understand its complex and sensitive nature.

Stability

To be stable, to be supported by the American people, and to be a basis for widening the scope of cooperation, detente must be broadly defined and truly reciprocal. Both nations must exercise restraint in troubled areas and in turbulent times. Both must honor meticulously those agreements which have already been reached to widen cooperation, mutually limit nuclear arms production, permit the free movement of people and expression of ideas, and to protect human rights.

However, these efforts to cooperate do not erase the signifi-

## Japan Said to Protest Soviet War Games

TOKYO, June 7 (UPI) — The Japanese government has officially protested large-scale Soviet military maneuvers taking place in disputed waters just north of Japan, sources in the Defense Agency said today.

The protest against the air, land and sea maneuvers near the four southern islands of the Kuril chain, off Japan's northern island of Hokkaido, was delivered to the Soviet government by the Japanese Embassy in Moscow, the sources said.



Sami Esmail (right) talks with Israeli policeman before being convicted of terrorist affiliation.

## A U.S. Student Is Convicted by Court in Israel

TEL AVIV, June 7 (AP) — A district court here today convicted Sami Esmail, a 23-year-old American of Palestinian descent, of membership in a Palestinian guerrilla group, but acquitted him of the more serious charge of contact with a foreign agent.

Esmail could be sentenced to a maximum of 10 years for belonging to an organization hostile to Israel. Prosecutor Sara Sirota did not ask for the maximum sentence but rather for a term that would discourage persons from joining Palestinian guerrilla groups, even if outside Israel. Sentencing was set for Monday.

Esmail, a graduate student in en-

gineering at Michigan State University who was born in New York, was arrested at Ben-Gurion Airport Dec. 21, when he arrived in Israel to visit his dying father, a naturalized American who lived in the occupied West Bank. He was charged with membership in the Popular Front for the Liberation of Palestine and with having contact at Michigan State and in Libya with foreign agents.

The case caused protests in the United States. There were allegations that the FBI provided the Israeli government with information on Esmail and that he was tortured into signing a confession. But his Israeli lawyer, Felicia Langer,

failed in an attempt to get the confession thrown out.

The prosecution charged that Esmail took guerrilla training during a trip to Libya in 1976. But Esmail maintained that it was a student trip and that no training was involved.

In a brief interview with reporters before the session, Esmail was very critical of prison conditions, saying that he spent 14 days in solitary confinement after being falsely accused of arguing with a prison guard. In solitary, he said, he was "denied such simple rights as going to the bathroom for two days," and was not allowed to bathe or brush his teeth.

## No Concession In Colombia by Apparent Loser

BOGOTA, June 7 (AP) — Conservative candidate Belisario Betancur, the apparent loser in Colombia's close presidential election, accused the electoral board of "questionable counting of votes" and refused to concede to Julio Turbay of the Liberal Party.

The board announced that with 97 percent of the ballots counted from last Sunday's election, Mr. Turbay had 2,303,034 votes to Mr. Betancur's 2,216,675, a margin of 86,359.

Election officials said that the count would be completed by Sunday.

Mr. Betancur declared: "We do not recognize any triumph based on the figures released by the election board which have been questioned as false by our representatives. We deny that the current election figures are definitive. They are temporary until the counting is over. We also denounce the questionable counting of votes at the election board."

Italy Landslide Kills 4

ISCHIA, Italy, June 7 (AP) — A landslide tumbled onto a beach on this Mediterranean resort island today, killing four persons.

## Carter at Annapolis: 'We Desire to Dominate No One'

Neither of us should entertain the notion that military supremacy can be attained, or that any transient military advantage can be politically exploited.

We desire to dominate no one. Our long-term objective must be to convince the Soviet Union of the advantages of cooperation and the costs of disruptive behavior.

We remember that the United States and the Soviet Union were allies in the Second World War. I am convinced that the people of the Soviet Union want peace. I cannot believe that they could want war.

## SALT II

Through the years our nation has sought accommodation with the Soviet Union, efforts continuing now with negotiations toward a SALT II agreement, a comprehensive test ban, reductions in conventional arms transfers to other countries, the prohibition of attacks on satellites, an agreement to stabilize the level of forces deployed in the Indian Ocean, and increased trade, scientific and cultural exchange.

The numbers and destructive potential of nuclear weapons have been increasing at an alarming rate. That is why a SALT II agreement which enhances the security of both nations is of fundamental importance.

We and the Soviet Union are negotiating in good faith because we both know that failure would precipitate a resumption of a massive nuclear arms race. I am glad to report that the prospects for a SALT II agreement are good.

However, these efforts to cooperate do not erase the signifi-

cant differences between us. What are these differences?

To the Soviet Union, detente seems to mean a continuing aggressive struggle for political advantage and increased influence in a variety of ways.

Soviet View

The Soviet Union apparently sees military power and military assistance as the best means for expanding their influence abroad.

To other nations the Soviet military buildup seems to be excessive — far beyond any legitimate requirement for defense of themselves or their allies.

The abuse of basic human rights in their own country in violation of the agreement reached at Helsinki has earned them the condemnation of people everywhere who love freedom. By their actions they have demonstrated that the Soviet system cannot tolerate freely expressed ideas, notions of loyal opposition, and the free movement of peoples.

The Soviet Union attempts to export a totalitarian and repressive form of government, resulting in a closed society.

Their form of government is becoming increasingly unattractive to other nations. We are in a much more favorable position. Our industrial base and productivity are unmatched; our scientific and technological capability is superior to all others; our alliances with other free nations are strong and growing stronger; and our military capability is second to none.

Ceilings

A successful SALT II agreement will leave both nations with equal but lower ceilings on mis-

## Thais Charge River Rescuer

NONG KHAI, Thailand, June 7 (AP) — John Everingham, the Australian journalist who swam the Mekong river to rescue his Laotian girlfriend, has been charged with bringing an illegal alien into Thailand, officials said yesterday.

He also was charged with leaving Thailand without a visa by crossing the river frontier into Laos, but he said that he did not think the charges are serious. Mr. Everingham, who lives in Bangkok, said that Nong Khai provincial authorities told him that he could turn himself in and then would be released if he posted a \$5 bond.

Mr. Everingham, 28, rescued Keo Sirisomphone, 25, on May 27, helping her swim underwater to avoid being spotted by Laotian border guards.

Women's Dental Corps

TOKYO, June 7 (UPI) — Japan's armed forces have agreed to grant commissions to women in the dental corps because of a shortage of male dentists willing to undertake military life.

Premier Back in Athens

ATHENS, June 7 (AP) — Premier Constantine Karamanlis today returned from a 10-day trip to the United States.

## Bill Bradley Wins as Democrat

## Right Topples Sen. Case In New Jersey Primary

NEW YORK, June 7 (UPI) — New Jersey Republicans took a sharp turn to the right and toppled liberal Sen. Clifford Case, a 74-year-old pillar of the party's eastern establishment, in a primary election today.

Sen. Case was outpolled by a politician less than half his age, Jeffrey Bell, a former campaign strategist for the conservative Ronald Reagan.

Bill Bradley, a former New York Knicks basketball star, won New Jersey's Democratic primary, setting up a liberal-conservative confrontation that will be one of the attractions of the November elections.

There were a number of other surprises in the primaries in eight states, although attention concentrated on a tax referendum in California which many observers viewed as the launching of a long-predicted national taxpayers' revolt.

Montana also retired an incumbent senator, but it was no surprise. Rep. Max Baucus beat Sen. Paul Hatfield as predicted in the Democratic primary for the seat Sen. Hatfield had been filling by appointment since the death last year of Sen. Lee Mescal. Larry Williams won the Republican nomination to oppose Rep. Baucus.

Sen. Case had been expected to win nomination to seek his fourth six-year term, but Mr. Bell, 34 and backed by conservative groups all over the country, mounted a vigorous, well-financed campaign. Had he been re-elected, Sen. Case would have been the second-ranking Republican in the Senate.

His defeat brightened the prospects for Mr. Bradley, a Rhodes scholar as well as a famous athlete, who beat former state treasurer Richard Leone for the Democratic nomination.

Sen. Case had irritated the Republican right wing for years, but once he got past the primary, the backing of organized labor made him invulnerable in the general election. For the Republicans, that arrangement probably ended with his defeat.

Paris Rejects Extradition of Moro Suspect

PARIS, June 7 (UPI) — A Paris appeals court rejected an Italian extradition request for Antonio Bellavita, whom Italian authorities said is suspected of complicity in the kidnapping of former Premier Aldo Moro, who was later slain.

The court said the 1870 Franco-Italian extradition treaty does not cover suspected.

Mr. Bellavita, 40, a journalist, was freed April 19 pending the ruling by the appeals court. He had been taken into custody shortly after the March 16 kidnapping of Mr. Moro, whose body was found in Rome May 9.

South Dakota — Rep. Larry Pressler won the Republican nomination to seek the seat of retiring Sen. James Abourezk. Former Rep. Wayne Hays, rebounding from a Washington sex scandal, won the Democratic nomination for a state legislature seat.

New Mexico — Former Gov. Bruce King won the Democratic nomination to succeed Gov. Jerry Apodaca. Republican Sen. Pete Domenici and his Democratic opponent, Attorney General Tony Anaya, had no primary opposition.



Clifford Case

Mr. Bell's New Jersey feat was the stunner of the biggest primary day of the year, but it was not the only victory for the Republican right.

In Iowa, former Lt. Gov. Roger Jepsen, a staunch conservative, beat Maurice Van Nostrand, a moderate Republican with the backing of Gov. Robert Ray, for the nomination to oppose Democratic Sen. Dick Clark. Gov. Ray won renomination to seek a fifth term.

Mississippi also provided a surprise. Maurice Dantin came out of a field of seven candidates to lead for the Democratic nomination to succeed retiring Sen. James Eastland. Mr. Dantin will face Gov. Cliff Finch in a runoff June 27. Rep. Thad Cochran won the Republican nomination.

In other primary results:

Ohio — Republican Gov. James Rhodes won renomination easily. Lt. Gov. Richard Celeste won the Democratic nomination to oppose him. Former Rep. Wayne Hays, rebounding from a Washington sex scandal, won the Democratic nomination for a state legislature seat.

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Skokie Appeals To High Court On Nazi March

WASHINGTON, June 7 (UPI) — The Supreme Court has been asked to rule whether the heavily Jewish village of Skokie, Ill., can ban neo-Nazi demonstrations without violating the Constitution.

Village officials want the justice to reverse a 7th U.S. Circuit Court of Appeals decision overturning three ordinances designed to prevent demonstrations in the Chicago suburb by the National Socialist Party of America.

In an effort to stop the Nazi group from marching there, the Village Board enacted three ordinances last year. One requires applicants for demonstration permits to obtain \$350,000 in insurance, another prohibits dissemination of material that incites racial or religious hatred, and a third bans public demonstrations by members of political parties while wearing military-style uniforms.

Since the 7th Circuit Court voided the ordinances, the board has used a permit to the Nazis to march there June 25, and to a Jewish group to stage a counterdemonstration on the same day.

Vietnam Rejects Cambodian Bid

HONG KONG, June 7 (UPI) — Vietnam has rejected Cambodia's offer to negotiate a solution to the border war, saying that the proposal had the one-sided motives of "aggressor and murderer."

Cambodia's offer, in a diplomatic note May 15, named as a condition Vietnam's promise to stop political and military attacks against Cambodia and to halt all plans to incorporate Cambodia into a Vietnamese-dominated Indochina federation.

The note was the first communication that Cambodia has offered Vietnam since the countries severed ties in December. Vietnam's refusal appeared in the official party newspaper. The editorial was broadcast by the Vietnamese news agency and monitored in Hong Kong.

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## Reportedly \$10 Billion

## House Votes Spy Funds, Sum a Secret

By George Lardner Jr.  
WASHINGTON, June 7 (WP) — Rejecting protests that most members had no idea about what they were doing, the House overwhelmingly approved an authorization yesterday for the nation's intelligence community. The amount of the authorization was kept secret. The vote was 323 to 43. Five members voted "present," appar-

ently following the example of John Seiberling, D-Ohio, who complained that the bill authorized a "blank amount so I intend to vote blank."

The House Intelligence Committee insisted on secrecy for the multi-billion-dollar measure on grounds that disclosure of even the total would generate pressure for more details.

The bill, however, is believed to authorize more than \$10 billion in direct and indirect intelligence expenditures for the CIA, the National Security Agency and the rest of the intelligence community, including segments of the FBI and the Drug Enforcement Administration. Edward Boland, D-Mass., the Intelligence Committee chairman, described the measure as an important, although imperfect, first step. He pointed out that the House had never before adopted a separate authorization bill for intelligence and had always hidden the money in other appropriations.

The 13-member committee had prepared an 82-page "Classified Annex" for House colleagues who wanted to know some of the details of the bill, including the overall total. But James Johnson, R-Colo., one of the few House members who bothered to read the confidential annex, said that it was virtually useless. "The Classified Annex tells us absolutely nothing about what the intelligence community is doing," he protested.

## Against Elitism

A former member of the House Intelligence Committee who emerged yesterday as the most forceful opponent of the authorization bill, Rep. Johnson said that he feared Congress was "returning to the days when so elite few members exercised oversight over the intelligence community" and kept too many secrets to themselves.

Rep. Boland indicated that his committee would try to make more information available to the House next year, but observed, "There are some people who will never be satisfied" with any amount of secrecy.

Kenneth Robinson of Virginia, a ranking Republican on the committee, said that the panel should try to avoid "excessive use of acronyms" in its reports. But he also pointed out that only eight House members were curious enough to glance at the Classified Annex.

## Carter Can Do Better — Maybe

NEW YORK, June 7 (UPI) — President Carter's ability to inspire confidence in the White House has reached a new low, the Harris Survey reports.

In a poll of 1,498 voters, 61 percent reportedly gave Mr. Carter a negative confidence rating, up from 59 percent in April. Still, 61 percent of persons polled think that Mr. Carter can and will become a better president in the future, the survey said Monday.



STERNUPMOST-White-water paddler David Rosenberg brings the rear of his craft out of the water as he negotiates the rapids of the Potomac River near Washington Sunday. The water pushes the bow beneath the surface.

## House Unit Says IRS Rule Aided Oil Firms Abroad

By Richard Halloran

WASHINGTON, June 7 (NYT) — A House subcommittee asserted yesterday that American oil companies operating in petroleum-producing countries abroad had been spared \$14 billion in taxes since 1950 because of allegedly improper rulings by the Internal Revenue Service at the insistence of the White House and the State Department.

Of that sum, the subcommittee said in a report, \$7 billion has been lost to the Treasury since 1974 alone. The report also said that the Treasury stood to lose \$2 billion because of a delay of the effective date for a new ruling intended to stop the underpayments.

A spokesman for the subcommittee on Commerce, Consumer and Monetary Affairs of the Committee on Government Operations said that half the \$2 billion had already been incurred and thus was counted in the \$14 billion. Thus the total potential loss to the Treasury was said to be \$15 billion.

The subcommittee said that the loss had arisen from an IRS ruling that royalties paid by American companies to Saudi Arabia and other oil-producing nations were taxes, not operating expenses, and therefore could be fully subtracted from corporate taxes owed to the United States.

## Rule in U.S. Differs

In contrast, the report said, "all payments by petroleum producers operating in the United States and Canada to the mineral landowner or exercise taxes to local governments are considered a royalty and are merely deducted as a normal business expense."

At hearings last fall, a Treasury official explained: "A royalty payment is deductible from income, whereas a foreign tax credit is an offset against the United States income tax. Thus [in the 50-percent tax bracket] a credit is worth twice what a deduction is worth."

The report released yesterday was the outcome of an inquiry conducted by the subcommittee. An

official of the American Petroleum Institute defended the foreign tax credit during the hearings as a fair way to prevent double taxation.

## All Residents Not Qualified For Tax Delay

PARIS, June 7 (IHT) — The Association of American Residents Overseas warned today that despite press reports, not all U.S. citizens living overseas are entitled to delay filing their 1977 tax returns until Aug. 15.

The organization said that, according to the Internal Revenue news release, only taxpayers with earned income and qualified for the Section 911 tax extension are permitted this extension. This means most persons who are employed overseas.

All other Americans abroad must file their 1977 returns by June 15, the organization said.

## After Questioning U.S. Allegations

## Senate Unit Denied Cuban Zaire Data

By Bernard Gwertzman

WASHINGTON, June 7 (NYT) — The Carter administration has refused to turn over to the Senate Foreign Relations Committee the documentary evidence to substantiate its claim that Cuban-trained and equipped Katangan rebels for their recent invasion of Zaire from Angola, administration officials said yesterday.

Rather than provide the raw material to the committee, the administration decided to give it only to the Senate Intelligence Committee. The same pattern is being followed on the House side, officials said.

Sen. George McGovern, D-S.D., the Foreign Relations Committee member who instigated congressional inquiries into the Cuban involvement by questioning the administration's assertions, said last night "I'm puzzled by the way the administration is handling it."

"As the first person to request the evidence, I'm beginning to think that I'll be the last to see it," he said. "I think it is strange that the committee with responsibility for foreign relations is having so much difficulty getting evidence we require."

## Dispute Possible

Since the Senate Foreign Relations Committee was the only committee to raise questions about the administration's assertions that Cuba had played a major role in the Zaire invasion, the decision to deny it the raw material may provoke a sharp dispute when Adm. Stansfield Turner, the director of central intelligence, testifies before the committee Friday to justify the administration's assertions about Cuba.

After the committee called for an inquiry into President Carter's charges and Cuban denials on May 26, the administration in a general way said it would cooperate. But Zbigniew Brzezinski, the president's national security adviser, said on television on May 28 that the information would be provided "to the legislative branch in an appropriate forum and in an appropriate way, depending on the nature of the information."

Last week and again yesterday morning, committee staff members asked the CIA for the intelligence documentation so that the staff could prepare material for the senators to have in advance of Adm. Turner's testimony.

Since members of Congress are usually occupied with a number of complex matters, they are generally prepared in advance for a hearing by having staff members summarize available data and suggest pertinent questions.

## Question of Leaks

But the CIA congressional liaison officials told the Foreign Relations Committee that the White House had decided to restrict the data to the intelligence committees.

The official reason was that the administration wanted only those committees to handle the highly classified material. By implication, the CIA was expressing concern about possible unauthorized leaks.

But several members and of the Foreign Relations Committee and its staff members were equally concerned that the administration was not providing them with information they needed to question Adm. Turner because of political considerations. In the interim, the committee has formally asked the Senate Intelligence Committee for a full report on the information it has on the raw material.

## Hughes Doctor Indicted on Drug Charges

SALT LAKE CITY, June 7 (NYT) — Dr. Wilbur Hughes, 53, the physician who pronounced billionaire Howard Hughes dead in 1976, was indicted by a U.S. grand jury here yesterday on drug law violations.

He is the third employee of Hughes, and the second of his physicians, to be accused of violating U.S. drug laws in satisfying Mr. Hughes' drug habit.

Dr. Thain, of Logan, Utah, is accused of illegally supplying a controlled substance, cocaine phosphate. Sources in the Drug Enforcement Administration said that 5,500 doses of the injectable form of cocaine had been shipped to Dr. Thain from a pharmaceutical concern in Bay Shore, N.Y.

The sources said it was learned in a yearlong investigation that Mr. Hughes received his drug supplies in Freeport, Bahamas, and Acapulco, Mexico, in sealed envelopes.

The shipments were referred to inside the tightly knit Hughes staff as "the message" — as in, "the message has arrived."

McNamara Visits Japan  
TOKYO, June 7 (UPI) — World Bank President Robert McNamara arrived in Japan yesterday for a four-day visit at the invitation of the Foreign Ministry. Mr. McNamara will meet with Emperor Hirohito, Premier Takeo Fukuda and other Japanese leaders.

The Foreign Relations Committee has been highly critical in the past of what it regarded as excessive U.S. involvement in Zaire. Sen. Dick Clark, D-Iowa, chairman of the Foreign Relations Subcommittee on Africa, has been concerned about what he perceived as exaggerated concern in the administration over the activity by Cubans in Africa.

The CIA chief is telling members of Congress such as House Speaker Thomas O'Neill Jr., that the government has reports from African diplomats, from prisoners of the Katangan rebels and from "agents" of other governments to produce a "preponderance of evidence" that Cuba was involved.

The administration has also reportedly claimed it has satellite photographs to show Cuban camps in the vicinity of the Katangan camps in northern Angola.

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## Carter Makes Saving Water A U.S. Policy

WASHINGTON, June 7 (WP) — President Carter announced his long-awaited national water policy yesterday, asserting that for the first time the government would make the conservation of water a national objective.

The policy, which won a quick endorsement from a coalition of environmental groups, would tighten the criteria used to measure the value of water projects and would require states for the first time to share in those costs. Administration officials said that this would force states to decide which proposed federal water projects they really want.

## N.Y. Mayor Urges Federal Aid for City

By Robert A. Rosenblatt  
WASHINGTON, June 7 — New York City Mayor Edward Koch said yesterday that his city had asked the nation's poor for two generations and now needs U.S. help to avert bankruptcy.

Mr. Koch asked the Senate Banking Committee to support a Carter administration proposal for U.S. guarantees for \$2 billion in New York City bonds during the next 15 years.

"The mayor recalled that he had voted for billions in aid to other parts of the country during the nine years he served in the U.S. House of Representatives. 'Is it possible

the rest of the country won't do it for us?' he asked rhetorically. 'I can't believe it. I won't believe it.'"

The committee chairman, William Saxton, D-N.J., told Mr. Koch that people "are fed up with excessive spending in the cities."

Sen. Proxmire opposes guarantees for city bonds and has said that New York's bonds and pension funds will buy the bonds, giving the city the money it needs without U.S. intervention. The committee is closely divided on the issue. A House vote on the guarantee legislation is scheduled for tomorrow.

Although New York has made drastic budget cuts since 1974, trimming its municipal work force by 6,100 persons and reducing the budget deficit to \$480 million from \$3 billion, the city is still threatened by bankruptcy. Long-

term debts of \$2.3 billion come due next month.

Unless New York can sell new bonds for money to pay the old debts, it will be insolvent. If the bonds are guaranteed by Washington, the city will be able to sell them to banks, insurance companies, pension funds and other investors.

If the U.S. government does not help, Mr. Koch said, he will make even deeper cuts in city services to stave off bankruptcy. But he added that this would drive middle-class taxpayers "across the river."

"The city of New York does not have a Berlin Wall around it to keep people from leaving," he said. The mayor cited a labor agreement reached Monday night with city unions as evidence that his administration is striving to control municipal spending. Municipal workers would get raises of 5 percent or 5.5 percent during the next two years. By contrast, Mr. Koch said, U.S. workers complain because President Carter wants to limit their pay increase to 5.5 percent for a single year.

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## Rev. Moon Left After Testimony Request by U.S.

WASHINGTON, June 7 (UPI) — Evangelist Sun Myung Moon left the United States after House investigators asked him to testify about intelligence reports linking him and members of his Unification Church to South Korea's CIA, it was disclosed yesterday.

Rep. Donald Fraser, D-Minn., chairman of a House International Relations investigating subcommittee, said that Mr. Moon went to London in May after the panel had asked him to testify voluntarily and before it could serve him with a subpoena.

The evangelist repeatedly has denied any ties to Korean intelligence and a church spokesman called attempts to subpoena him "an outrageous attack on religious freedom in America." The spokesman said that Mr. Moon is in England as part of a "long-awaited European tour."

At a subcommittee hearing yesterday, Rep. Fraser released a summary of U.S. intelligence reports that said: "The KCIA had used Moon and members of his Unification Church to stage rallies in the United States in support of Korean government policies and aims and on at least one occasion, Moon received KCIA funds for that purpose."

## Manila Tears Down Huts

MANILA, June 7 (AP) — Police demolished the shanty homes of more than 2,000 persons 12 miles east of here yesterday because authorities said that the huts were an eyesore.

## Shopping Curbs On Sunday Set In Connecticut

HARTFORD, Conn., June 7 (NYT) — Expressing concern for employees who must work on Sundays, Gov. Ella Grasso has signed a bill banning nearly all Sunday shopping in Connecticut.

Most major food and department stores in the state are open on Sundays. Under the new law, which takes effect Oct. 1, they will be allowed to stay open between Thanksgiving and Christmas. The law makes nearly 30 exceptions, including for drugstores, small food stores, dairies, restaurants, gasoline stations and stores operated by merchants who observe the Sabbath on Saturday.

## Senate Oratory in U.S. Pays Off: Outside Speeches Net \$1 Million

WASHINGTON, June 7 (WP) — It has been said that the quality of Senate oratory is not what it used to be, but one would never know it from the money that senators earn from making private speeches. Last year, according to Senate records, members earned more than \$1 million in fees for speeches to such groups as the Arkansas Bankers' Association, United Jewish Appeal, Recreation Vehicle Association, Dordt College and the National Forest Product Association.

Sen. Jack Garn, R-Utah, earned an extra \$25,000, mostly from bankers' groups. That tied him for first place with Sen. Don Riegle, D-Mich. Twenty-one senators earned more than \$20,000, and 18 earned \$10,000 or more.

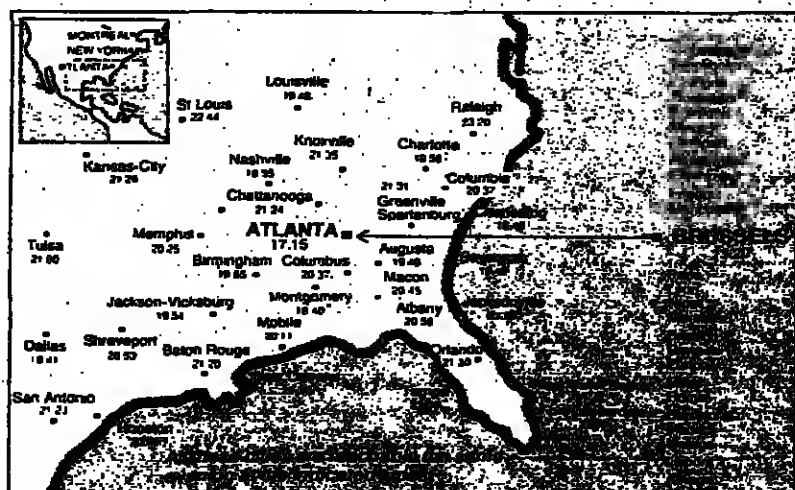
Senators often have been criticized for taking fees for speeches, on the ground that the money may be a "good-will" payment from a lobbying group or other organization that wants something from Congress. For that reason, Congress had placed a \$25,000 limit on the amount that a senator may earn from speeches and articles. But a new ethics code will lower the limit to \$8,625 as of Jan. 1. The fees and honoraria are in addition to a senator's salary of \$57,500.

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## China and Indochina

That the withdrawal of the United States from military involvement in Indochina would not end the troubles of that region was patent enough from the beginning. But the extent of those troubles, and their nature, were not so obvious. It was not altogether possible to predict the kind of manic-Maoism that has afflicted Cambodia, nor how this would affect Vietnam — and China.

China was a strong support for North Vietnam during its struggle with the South, both in actual supplies and in its mere presence. The latter was a prime factor in limiting U.S. action against Hanoi for so much of the war, because of haunting memories of the Chinese move across the Yalu in the Korean war.

Yet China and Vietnam have a long history of conflict, as well as a common border that can cause friction. So it was not surprising that Hanoi drew closer to Moscow than to Peking after the major fighting ended, or that Peking seemed to prefer the wild radicals at Phnom Penh over the more orthodox revolutionaries of Hanoi. The former did draw more on Mao than on Lenin, for one thing, and they might prove a balance in Indochina against the suddenly increased size and prestige of Vietnam.

This has now resulted in what the Chinese claim is the explosion of people of their blood from Vietnam, by the thousands.

Doubtless the current frictions have touched off this exodus, but there is another element in the anti-Chinese mood in Vietnam. Throughout all of Southeast Asia, Indonesia and far into the Pacific Islands, the Chinese represent not only an alien stock, but an economic class. Whether or not they arrived — and some remain — as coolies, laborers, they have usually risen to moneylenders, shopkeepers, white collar workers generally.

It was this rather than the Communism of mainland China that inspired the killings and deportations of Chinese in Indonesia. It is a major part of its rivalry between Chinese and Malays in Malaysia. It resembles, too, the actions taken against Bengalis and Sikhs in Burma and in Uganda, since those Indians performed much the same functions as the Chinese, and were equally resented.

In the relationship between China and Indochina there is the kind of complex mixture of racialism, economic rivalry, religious enmity and ideological competition that is so common in the developing world — and can be found in the ghettos of the United States and among the foreign workers in Europe. For the Chinese government, or those of Indochina, to play upon these differences, to exploit them for some short-term advantage, is to encourage fragmentation at a time when both China and Vietnam desperately need cooperation both within and without their borders.

## A Double Blow by the Court

The privacy rights of the law-abiding were shabbily treated by the Supreme Court the other day when it held that police may search for evidence of crime on the premises of persons who are not themselves suspected of any crime.

The Fourth Amendment protects "the right of the people to be secure in their persons, houses, papers and effects against unreasonable searches," but the court said this sort of search was reasonable. Judicial warrants may now be obtained for unannounced, wide-ranging searches through files, drawers — even wastebaskets — without proof that such methods are needed to guard against destruction of the evidence. This decision strikes a double blow, at individual privacy and press freedom.

The premises in the case before the court were those of the Stanford University student newspaper, which claimed that its rights had been violated by a police search of its offices after a 1971 campus riot. Police wanted to search the newspaper's offices because a published photograph of the riot led them to believe there might be more photographic evidence. Their request for a warrant contained no charge that the Daily's staff had anything to do with the violence and no hint that the authorities feared destruction of the evidence. Extensive as the search was, it turned up nothing useful to the police.

The newspaper argued that the search violated the Fourth Amendment rights of citizens generally. The police, it was argued, could have sought their evidence by way of subpoena, a procedure that would have permitted orderly opposition. The newspaper also argued that First Amendment rights were infringed because such a sweeping search inevitably compromised information the police had no right to see. The court said no to both arguments.

Justice Byron White's majority opinion treated the newspaper arguments as though they had come from outer space. He said the

Stanford Daily was seeking "a major revision of the Fourth Amendment," by asking the court to "hold for the first time" that the validity of a search depends on the culpability of the search's target. But, as Justice John Paul Stevens showed in a lucid dissent, the court was not being asked to do anything so contrary to precedent. There was no precedent; the precise issue had never been before the Supreme Court. Until 1967, police could seek warrants only to look for such things as contraband, the fruits of a crime, or the instrumentalities of a crime, like a gun. In 1967 the court ruled — for the first time — that searches for "mere evidence" of crime were valid under the Fourth Amendment.

That decision was what shattered precedent. It then became more probable that searches would disrupt the lives of innocent parties who might readily come into possession of evidence of crime; it was open to the court in the Stanford Daily case to require special procedures safeguarding their interests. Instead, the court would now allow officials to treat the law-abiding like criminals.

The court's treatment of the First Amendment issue was just as cavalier. "We decline to reinterpret the amendment to impose a general constitutional barrier against warrants to search newspaper premises," said Justice White. But First Amendment considerations made even stronger the case for added safeguards against such a search. In this decade, it is hardly fanciful to worry that public officials bent on obstructing justice might invoke such authority malevolently. Even worse, wiretapping is merely one kind of a search; there seems to be no Constitutional barrier to court-approved wiretapping of reporters' telephones.

The court itself acknowledged that legislatures are free to enact added protections for individual privacy and press freedom. Considering the way this court now interprets the Fourth Amendment, Congress and the state legislatures would be well advised to do so promptly.

THE NEW YORK TIMES.

## Other U.S. Opinion

### Outlay for NATO

It's a mighty big commitment. And, however unfortunate it may appear in philosophical theory, it surely seems a practical necessity — the commitment reached by NATO summit conferences in Washington to spend as much as \$100 billion over the next decade to counter Soviet military power in Europe.

Despite continued efforts by the United States to move toward disarmament, the Soviet Union and its Warsaw Pact nations have steadily increased its military power and personnel in Eastern Europe, until now Communist military strength in Europe is considerably greater than the Western nations.

Faced with such conditions of fact, NATO had to react in kind — and so did, with the \$100 billion announcement following the close of the 15-nation group's meeting. In addition to the increased spending, NATO announced a long-term blueprint for welding

alliance forces into one wartime fighting unit.

President Carter also made it extremely clear that the United States is committed to NATO. In a closing statement to the allied leaders, he said that "an attack on Europe will have the full consequences of an attack on the United States. Let there be no misunderstanding. The United States is prepared to use all the forces necessary for the defense of the NATO area."

Those are tough words indeed, words that a good number of Americans will not like. In a perfect world, of course, no sensible people would like talk of war. And it's true that in this nuclear world, humanity's only real security lies in disarmament, certainly of all nuclear arms. But it takes two to tango; you know, and in Europe these days the Russians and fellow travelers are still war dancing.

— From the Atlanta Constitution.

## In the International Edition

### Seventy-Five Years Ago

MARSEILLES — Fifty-seven people were saved, but up to 150 are still missing today as a result of a collision yesterday off Marseilles between two passenger liners of the Fraissinet company, the Liban and Insulaire. The Liban sunk within 20 minutes after the collision and the Insulaire had to be trimmed by the stern and taken into port to avoid sinking. Fifty-seven persons of the Liban's total complement of 200, ten of them badly injured, were rescued from the wreckage along with 25 bodies.

### Fifty Years Ago

LONDON — While complete silence continues regarding the fate of the Italia, the dirigible which has been missing in the Arctic since May 26, both Moscow and Rome are rapidly organizing search parties, according to dispatches received here today. While the Russian search party is already on route for Archangel on the theory that Gen. Umberto Nobile and his men are in Franz Josef Land, neither the United States nor Great Britain are in a position to help materially in the search, at least for the present.



## Brzezinski-Young Tension Examined

By Jonathan Power

LONDON — When Zbigniew Brzezinski had his first meeting with the South African Foreign Minister, P. W. Botha, in the early days of the Carter administration there was a remarkable bit of opening conversation. Brzezinski welcomed his rather nervous guest, still anxiously attempting to find out which way the Carter African winds were going to blow. Saying "When I was a boy I used to play with the Boers. I always stuck up for them." Botha relaxed into a broad smile unaware of the punchline to follow. "But then I always have been in favor of liberation movements," finished Brzezinski.

The impact on Botha of the remarks needs no elaboration. What is revealing is Brzezinski's own commitment to radical change in southern Africa, a position that has become confused as press attention has focused on the divide opening up between him and Andrew Young.

### Paper Over

Both Brzezinski and Young go to great lengths to paper over the cracks. Brzezinski talks about his hopes that Young will be the first U.S. black secretary of state, possibly within the life of the Carter administration. He anxiously enquires of visitors who know Young what Young thinks of him. I recall, too, asking him before Young was appointed to the UN job what Carter saw in him. He replied that Young was the "right combination of energy, vitality, realism and idealism." Yet, I get the impression, talking to some national security council staff members, that Brzezinski's opinion of Young is rather less than the remark suggests.

Young admires Brzezinski's intelligence and his powers of articulation. Young also argues that the press reads more into their policy differences than there are. "When we are round the table together," he says, "there isn't the kind of tension and sense of undercutting that the press make out." At the same time it is obvious that Young finds Brzezinski too emotional when it comes to discussing Cuban and Soviet intervention in Africa, and doubts, as many do, Brzezinski's political sense.

The fact that the Young-Brzezinski differences have not been thrown into relief earlier is due to at least four main factors. First, at the beginning of the administration Brzezinski and Young were determined not to contradict each other in cabinet and policy meetings.

### Unanimity

It was made easier by the unanimity of purpose on southern Africa before Rhodesian Prime Minister Ian Smith's "internal settlement" clouded the issues. And secondly because it was obvious to everyone, at least in the first year, that Young had Carter's ear. Indeed, Young's ideas on Africa were almost carried out to the letter, until Somalia invaded Ethiopia and the Russians and the Cubans came to the latter's aid. Third is the desire not to repeat the savage political infighting of the Nixon era. When there are differences it is almost impossible to get word of them from the close-knit principals themselves. One example was the debate on the "internal settlement" in Rhodesia in February. Young had grave reservations about the "settlement's" viability and was worried that any sympathy shown for it publicly would make the job of dealing with the guerrilla-based Patriotic Front more difficult.

Brzezinski wanted to give it some benefit of the doubt, anxious to avoid a situation where the useful South African cooperation would begin to diminish. Neither, however, would confide to outsiders their disagreement with the other. Only when working diplomats in Africa or London had to deal with the confusing signals coming out of Washington was it apparent how significant were the differences.

### Happy

The fourth reason is the President's own way of working with his top aides. He seems happy to have them publicly pushing for contradictory policies as long as they

don't personalize the issues. Consequently the policy takes a while to emerge, and even when it does, it often bears the marks of the earlier contradictions.

But can the Young-Brzezinski tension continue merely to simmer below the surface or will it at some point erupt into full frontal view?

Now that one way and another the world is so informed of the differences between Young and Brzezinski it will be less easy to keep their staff from talking about it and even for the two themselves not to be drawn into more direct confrontation. On the other hand, there is

still much that binds them together, apart from their loyalty to the same boss. Brzezinski after all is the author of a remarkable book "Between Two Ages" highly critical of the U.S. attitude to Third World aspirations. Young for his part shares a conviction that capitalist democracies offer the best hope of providing the leadership for real change in a revolutionary world and that U.S. values when fully lived up to are second to none.

### Acceptance

Most important, however, is their common acceptance of the

value of a spiritual component to foreign policy. Brzezinski's desire for the West to stand for "something transcendent" if it is not to be viewed as a "materialist hedonist society without much historical relevance to the dilemmas of our time" is not too far different from Young's belief in the philosophy of Martin Luther King Jr.

Add to this the fact that both men, beneath their brave exteriors, share some of the same kind of anxieties over their roles and are repelled by situations that breed personal animosity and it is likely that their conflicts will be kept within bounds.

## D-Day Plus 34 Years

By James Reston

WASHINGTON — On the 34th anniversary of the Allied invasion of Nazi-occupied Europe, the representatives of the United States, Britain, France, Belgium and West Germany met in Paris this week to consider what they could do, if anything, about the Communist activity in Africa.

They didn't do very much, in fact, they disappointed both the people who wanted them to confront the Russians and Cubans in Africa, and the people who wanted them to stay out of all the military and political tangles of that continent. But at least, they did something that may be symbolically important.

Historical analogies are usually misleading, and one of the problems at the moment is that there is a tendency on Capitol Hill these days to look on the Communist adventure in Africa as if it were as great a menace to freedom as the rise of Hitler. But the Allies do seem to be learning one of the lessons of the 1930s.

### No Security

This is that there is no security for any nation except collective security with other nations; that there are no "far-away places" or conflicts that can be ignored, as Neville Chamberlain at first tried to dismiss the tragedy of Czechoslovakia, and that the security of the Atlantic nations cannot be preserved within the boundaries of the NATO treaty, but must be defended by cooperative action wherever it is threatened by direct or indirect Communist aggression.

The Allies are striking a fairly good balance in dealing with these problems in Africa. They have not made the mistake of treating all nations alike. They have defended the principle of majority rule in Rhodesia, without declaring economic

warfare on South Africa. They put together a combination of U.S. air power and European manpower to chase the invaders out of Zaire. They have warned the Russians not to overplay their hand in Africa, without confusing the conflicts in Zaire, Ethiopia and Angola, with the larger and more important issue of getting the world arms race under control.

This moderate approach to a highly complicated and ambiguous set of world problems has created difficult political anxieties for President Carter. He has been talking tough to Moscow, and sending his national security adviser, Zbigniew Brzezinski, to Peking to remind the Russians that he can play the China card if necessary — but he has been acting very cautiously.

### Not Jumping

He is not pulling out of Taiwan, or establishing full diplomatic recognition of the Chinese Communists, knowing that this might cost him enough votes to defeat any new strategic arms treaty with Moscow in the Senate.

He is not jumping into Zaire or ignoring it. He is not breaking relations with Cuba (though he probably will in the near future), but in consultation with his European allies, he is helping to establish, finance and transport a black African legion to counter Moscow's Cuban mercenaries.

Seldom since the Allies landed by sea and parachuted by air into Normandy 34 years ago have they been confronted by more difficult and subtle problems than they now have in Africa and the Middle East. They were fighting for their lives and countries then, and were united among themselves and with the Soviet Union in the final struggle against Hitler.

## Letters

### Political Wars

Rowland Evans and Robert Novak in their evaluation of the new chairman of the Joint Chiefs of Staff Gen. David Jones (JCH, May 12), call to mind the importance of military ethics. Gen. Jones, they assert, "not only embraces but energetically applauds... Carter administration political initiatives."

It has been a tradition in the U.S. military that an officer should not become involved in political issues. The reason, of course, stems from the fact that the president of his political appointees such as the secretary of defense appoint (and can remove) an officer, such as Gen. Jones, to a senior post. One of the duties of a military officer is to provide private military judgments to his civilian superiors on a continuing basis. He is also expected to

render military appraisals to the Congress when called upon to do so.

If an officer, in good conscience, cannot support an administration policy (a South Korean troop pullout) then, in accord with the U.S. military code which recognizes civilian control over the military, he should retire to private life where he is free to speak out on political issues. If he does not choose to retire, then the president properly may remove him from his post, as Mr. Carter did by transferring Gen. Singlaub from South Korea to an obscure billet in Georgia from which he soon retired.

Conversely, it is equally inappropriate for a senior officer to lobby actively for the administration on major political issues as Gen. Jones reportedly has done.

Such political involvement creates doubts as to an officer's capability to render hard military judgments (which may not coincide with the desires of the White House) regardless of the consequences to this career.

This is the ethical issue raised by the Evans-Novak account which undoubtedly has caused concern within the military profession.

A serving officer should always remain aloof from political wars. Otherwise the value of his independent military counsel may become suspect.

PAUL B. RYAN,  
Torremolinos, Spain.

## California: Assessing Tax Revolt

By George F. Will

WASHINGTON — In an obscure but penetrating study on modern citizenship (in the Woodhouse novel "The Luck of the Bodkins," published in 1935), Grayce, although wealthy, wants a necklace smuggled from customs. A friend explains: "Grayce doesn't like the idea of paying duty. She says it's such a waste. She says the government got more money than is good for already and would only spend it on more wars."

Californians have believed that California is a state with whimsy, and worse. So people will insist that there is national significance in the referendum on Proposition 13, by which voters have sharply reduced property taxes and limited future increases.

In previous debates about limitation measures, in California and elsewhere, opponents have successfully emphasized the fact that reduced taxes mean reduced services. That fact seems to have its sting. Californians vote for the government approximately what Henry Reuss, D-Wis. The senator stopped Reuss, a high-ranking liberal, in the Milwaukee airport and said: "When you go back to Washington, don't do anything for me. I can't afford it."

### Populism

California has institutionalized populism by providing a referendum in order to involve "the people" directly in legislation. Advocates of such populism have been liberals who are wary of the rule of the winds of opinion. Their assumption has been that "the people" are

because they are, by definition, distinguished from "the interests." But in four referenda in the 12 months "the people" have administered thumping defeats, "homosexual rights" laws. And cause conservatives approve the decisions made by many referenda, some result in conservatives are enthusiastic advocates of that form of decision-making.

This advocacy is an affront to the conservative tradition of concern for sound procedures. It is shortsighted and opportunistic, a negation of the essence of representative government. That essence is the principle of representation: "the people" dispose of power, they do not exercise it. The argument about Proposition 13 was primarily about the economic hardship of many low-income owners. But the argument was about the assertion that passing the proposition would be "chaos." This assertion implies that existing levels of spending and patterns of taxation are merely acceptable, but somehow inevitable and indispensable.

This implication was gratifying because it ascribed permanence to the works of legislation and fallible legislation. And it suggested a paradox: G.K. Chesterton noted:

"One of the queer puzzles of modern politics might be this: this way that when it is permanent, it is always wrong; that it was passing, but when it was really supposed to be permanent, it was created as if it were permanent. In the days when they were incessantly informed of their own death, they were real prophets or sardonic who then that death would be the end of their own life. But nobody (of this now that)... democratic liberal ideas... prevail in state. Nobody told the really temporary ruler that he was temporary or even that he was mortal."

The power of popular government is permanent in the sense of the sovereign, "the people." The political ideal of the United States insists the idea of government is "by the people."

### Paradox

This, then, is a paradox of our government: People are not even when they are in a position to complain about government. They can complain with confusion and maximum effectiveness when they acknowledge, indeed insist, that government is "by the people."

The California vote was an ample of psychological satisfaction. Especially in a state, the size and complexity which mocks the sentimental democratic idiom, it is cathartic for us to say, sharply: We will brook the suggestion that we do with the power we do cannot be undone.



## Computer Coders Hide Data in Ciphers

## Cryptography and the Electronics Age

By Malcolm W. Browne

NEW YORK, June 7 (NYT) — Paper and ink used to be the raw material for society's valuable symbols: money, contracts, state secrets or plans for new weapons. To safeguard those valuables, man has devised systems of secret writing soon after the dawn of recorded history.

Increasingly, however, the operating symbols of power and wealth are intangible flocks of electrons which travel through computers at almost the speed of light — and which cannot be locked up.

The shift from paper and ink to electrons, together with the proliferation of computers in government and business, has made it urgent to protect computer data with secure cipher systems. So cryptography is today developing faster than at any time in history, and present-day codes are as reliable from the best of ciphers of a decade ago as liquid-crystal watches are from their spring-wound predecessors.

Over the centuries, codes and ciphers increased in complexity

only very gradually. In the early 19th century, gifted amateur cryptographers like Edgar Allan Poe could easily hold their own with professionals in devising and deciphering ciphers.

Two world wars and the development of modern communications changed that for good. The advent of computers made the art of cryptography the nearly exclusive domain of professional mathematicians and computer experts. Because a computer can try out so many possible ciphers so rapidly that no human brain working alone, much less an amateur cryptographer, can match it.

## Standard Challenged

To store computer data safely, the cipher used must be so complex that only another computer knowing the cipher can extract them. Early this year the United States promulgated the first national standard for codes.

In effect, the standard specifies how difficult a cipher must be to qualify as protection for computer data. Devices meeting the standard, officially called the Data Encryp-

tion Standard, or DES, must now be mated with all government computers handling nonsecret material. Banks and other big commercial computer users are following suit.

But already the DES has been challenged by private experts as potentially too easy. Even its champions concede that the cipher system provided by the standard will probably be obsolete by the early 1980s. Some critics charge that the standard was deliberately made too easy under orders from the National Security Agency, custodian of all official U.S. ciphers and eavesdropper on all eiphered foreign message traffic.

The agency, which professes to be the most secretive body in the government, has leaked the fact that it is not a bit happy to have so many university and commercial researchers in the cryptography business. Intelligence officials are worried about the virtually undecipherable coding schemes emerging from private institutions.

## Helping the Enemy

The security agency contends that it needs to be able to eavesdrop on enemies, and if those enemies are provided with impenetrable codes devised in this country, security will be doubly damaged.

Last week it was disclosed that the government had forbidden the University of Wisconsin in Milwaukee to publish research it has done on computer data coding. Although the work was not classified secret, the government order said disclosure "might be detrimental to the national security."

To the old days, simple substitution was the basis of most ciphers: the alphabet arranged from A to Z was replaced by an alphabet in which the letters were arranged in a different order. But such ciphers are easy to decrypt, because each language uses its letters according to a regular frequency. For instance, the cipher letter turning up most often in an English-language message would probably be a substitute for E, the most common letter in English.

At the other extreme of difficulty is the one-time cipher, which cannot be understood by any outsider, regardless of the power of his intellect or of the computer he brings to bear on the problem. With the one-time cipher, the sender and the receiver of a message must both have identical copies of a random list of numbers. Each successive number on the list changes the substitution scheme for each successive letter in the message, so that no message shows any pattern that could betray the letter E or any other recognizable characteristic. As the list of numbers is used up, it is destroyed, never to be used again.

## Gigantic Number

The spies and diplomats of the world use one-time ciphers for their most secret dealings. The Soviet Union, because of its special disposition to secrecy, uses the system much more than the United States. But the one-time cipher is too cumbersome to deal with the billions of words transmitted daily in diplomatic, military and official communications, since all parties to message exchanges must have in their possession lists of numbers as long as all the messages.

The next best thing is a system of substitution in which a pattern might be discerned by skilled, computer-aided cryptanalysts, but only after many billions of words have been transmitted. One method of substitution involves treating a message as a single number and applying an algebraic process to it.

For example, Tolstoy's "War and Peace" could be expressed as a gigantic number in which each letter is assigned a numerical counterpart. The book-length number could be called X, and from it a ciphered number Y could be computed by an algebraic equation of any desired degree of complexity. No pattern would be discernible in the result, since the substitution used for each letter depends on the total number.



RIGHT ON - The 34th anniversary of D-day Tuesday became Demo day for hundreds of British servicemen's wives who marched through London protesting the low pay and conditions of their husbands. They ended at the House of Commons where they lobbied members of Parliament.

## Seoul to Free 8 Soldiers Caught on N. Korea Ship

By David A. Andelman

SEOUL, June 7 (NYT) — With the 28th anniversary of outbreak of the Korean war just a few weeks away, the South Korean government has taken the unusual decision to return eight North Korean soldiers captured inside its territorial waters off the eastern sea.

A Defense Ministry spokesman said today that the move was taken on humanitarian grounds. "They (the Communist soldiers) have families in the North and they have pledged not to repeat such offense," said Shin Chan.

Returning any captured prisoners is an unusual thing in Korea, which remains rigidly divided between the North and South. Although the armistice agreement of 1953 has practically ended the war, tension has always run high along 152 miles of fortified border.

## Lost in Fog

A South Korean announcement said that the boat, in which eight survivors were captured, was shelled and sunk May 19. The government earlier described it as an espionage boat used for infiltrating agents to the South. But the Defense Ministry spokesman said today that it had crossed the demarcation line because of dense fog.

South Korea's proposal was negotiated by U.S. Army Col. Kenneth Kleyman, a senior United Nations Command secretary at the

Small Gulf Fine Assailed in U.S.

WASHINGTON, June 7 (UPI) — The head of a House investigation subcommittee said that a \$400,000 fine that Gulf Oil Corp. received for participating in an international uranium cartel showed that crime pays.

Rep. John Moss, D-Calif., said that he was disappointed that the Justice Department only charged Gulf with a misdemeanor, which carries a maximum \$50,000 fine, instead of felony carrying a \$1-million maximum fine.

Judge Gerald Weber said that he reduced the fine to give Gulf a symbolic reward for spurring the government the cost of a trial.

## Underground Publications Now Barred

## 20 Writers Say Czechs End Tacit Pact

By David A. Andelman

PRAGUE, June 7 (NYT) — Twenty of Czechoslovakia's most distinguished writers, poets and dramatists warned today that the government has repudiated a tacit understanding that has long allowed the functioning of perhaps the most active underground publishing operation in Eastern Europe.

The writers, in a letter addressed to a number of fellow writers and playwrights in the West and released here today to Western correspondents, said that the understanding allowed the production in Samizdat form of legitimate literature without political overtones.

The repudiation, the letter alleges, took place last week when the novelist and poet, Jiri Grusa, was arrested and charged with "incitement" by publication of his novel, "The Questionnaire," by the

underground "Petice" or Padlock Press.

This novel will also be published this fall in Lucerne by the Reich publishing company and by the large French publishing house of Gallimard in Paris.

By the arrest, the letter continues, "the authorities thus overstepped not only the law, but the thus far quietly respected dividing line between civil and political activities such as a number of writers have been involved in and literary activities such as people like Grusa are engaged in."

## Rights Violations

Most of the principal Czech authors known in the West — including Ludvik Vaculik, Pavel Kohout, Václav Havel and Ivan Klima — signed the letter. Many have also been involved in anti-government political activity, particularly the Charter 77 movement that publicized Czech violations of human rights. Such activity has resulted in arrests and a range of police intimidations.

But these authors and others are concerned that this latest arrest and a number of other interrogations that have accompanied it over the last several weeks may signal a new level of activity aimed directly at such purely literary activities and designed to dismantle the Padlock press operation, which hitherto has been allowed to continue with only minor harassment.

## 4 Russians Doomed For Helping Nazis

MOSCOW, June 7 (AP) — A court in the southern Russian city of Rostov-on-Don has sentenced four men to death for collaborating with the Nazis during World War II, the trade union newspaper Trud reported today.

The report said that three other men were sentenced to 15 years imprisonment and one to 13 years for helping the Germans in their operations against the Soviet underground movement during the war.

## Kissinger Urges No Korea Talks Without South

TOKYO, June 7 (UPI) — Former Secretary of State Henry Kissinger said yesterday that the United States should never negotiate with North Korea unless South Korea participates.

In an interview in the newspaper Asahi, Mr. Kissinger also said that he opposed the Carter administration's withdrawal of U.S. ground troops from South Korea and said that the United States blundered in the 1973 Paris peace talks by giving North Vietnam an excessively important role.

"As regards North Korea's refusal to talk to South Korea, its aim is to undermine the legitimacy of South Korea," Mr. Kissinger said. "It is nothing but a trick for making North Korea rank as the representative of all Korea."

"At the Paris peace talks, North Vietnam used exactly the same method. At that time, the United States made the policy blunder of giving North Vietnam an excessively important role. Whatever happens, we must not make that error again," he said.

## Van Gogh's 'Poppies' Is Stolen Near Cairo

CAIRO, June 7 (AP) — A Van Gogh painting valued at \$500,000 has been stolen from a museum in a Cairo suburb and some supervisory personnel have been detained for failing to provide adequate security, police reported.

Culture Minister Abdel Moneim Sawy identified the work as "Poppies," painted in Paris in 1887. It shows vivid yellow and orange poppies in a dark vase.

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## Egypt Asks U.S. to Send Armored Troop Carriers

By David A. Andelman

WASHINGTON, June 7 (AP) — U.S. officials say Egypt is seeking about 800 U.S. armored troop carriers to replace worn-out equipment supplied by the Russians

years ago. The request was expected to be a centerpiece of discussions between Egyptian War Minister Mohammed Abdel-Ghany Ghamasy and congressional and senior officials of the Pentagon, State Department and White House over the next three days.

Gen. Ghamasy, the first Egyptian minister to visit the United States, arrived here late yesterday to start a 10-day tour. It will take him to major Army and Air Force installations and to the plant of the Lockheed Corp., where Egypt's 50 SE fighter planes will be built.

Gen. Ghamasy's visit is less than a month after the Senate upheld President Carter's controversial proposal to sell jets to Egypt and Saudi Arabia as well as Israel.

## Proposal Not New

The Egyptian proposal to buy about 800 tracked armored personnel carriers had been under study before the jet sales deal reached its final vote in the Senate. But it was not publicly acknowledged by administration officials, apparently out of concern that it might deepen opposition in Congress to the plane

Gen. Ghamasy's arrival yesterday coincided with Egyptian President Anwar Sadat's public reminder to Israel that his country is ready to

## U.S. Absent in Geneva As ILO Session Begins

GENEVA, June 7 (UPI) — The International Labor Organization began its annual conference today without the direct participation of the United States for the first time since ILO history.

Mexican Labor Minister Pedro Medina Paulilla was elected president of the annual session and in his opening address he appealed to the United States "to reconsider its position on the organization."

The United States withdrew from the ILO last year on the grounds that the UN agency is used by Communist and Third World states to attack the Western democracies while blocking discussion of their own shortcomings.

This year's conference was the first since the ILO was founded in 1919 without the participation of

## Inventor Snubs Judge's Offer Of \$1.1 Million

LOS ANGELES, June 7 (UPI) — Superior Court Judge gave Albert Bodine two choices: Accept \$1.1 million in damages from a Connecticut firm or begin a third trial.

Mr. Bodine refused the money. Mr. Bodine, who invented a so-called antisubmarine warfare device that he alleged was stolen by United Aircraft Corp., was granted \$3.5 million in damages by a jury in the first trial, but a Superior Court judge ruled that judgment excessive.

In a second trial ending last September, a jury awarded Mr. Bodine \$1.1 million. Superior Court Judge William Loomis ruled that the evidence presented to the second jury is not sufficient to justify the \$1.1 million, so he offered Mr. Bodine \$1 million.

Although the matter has been in litigation 15 years, Mr. Bodine said that the offer wasn't enough.

## 2 Russians Deny Spying on U.S.

NEWARK, N.J., June 7 (AP) — Two Soviet employees of the United Nations were ordered held in lieu of \$2 million bail each yesterday after they pleaded not guilty to espionage charges.

Valdik Alexandrovich Enger, 39, and Rudolf Petrovich Chernyayev, 43, were arrested May 20 near the Garden State Parkway and charged with conspiring with a Soviet diplomat to obtain U.S. national defense secrets by bribing a naval officer.

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**Bonn Readies Plan for Summit**

By Paul Lewis

Authoritative government sources report that West Germany is ready to accept a package deal at the Western nations' economic summit meeting here next month under which it would agree to promote faster economic growth at home if other countries announced protectionism and President Carter promised to curb U.S. oil imports.

The West German policy is being coordinated by Chancellor Helmut Schmidt, who is anxious to make the July 15 meeting a personal political success, according to sources here. As a result, West Germany's final position is unlikely to become known in detail before the meeting.

But according to the sources, Chancellor Schmidt may seek a firm promise from President Carter

**Trades Stimulus For U.S. Pledge**

to impose an import tax on foreign oil and take other steps within his power to conserve energy if Congress still has not passed an energy conservation act by an agreed date. Agreement on such a package of economic reforms, the West German government believes, will insure the success of the Bonn meeting, help restore faster economic growth in the West next year and satisfy the mounting international pressure on West Germany to stimulate its economy.

**Sluggish Growth Seen**

The readiness to make such a deal, the sources say, reflects Bonn's expectation that the econ-

omy will again perform more sluggishly than hoped this year, coupled with increasing concern at the spread of protectionism and a desire to end the long-simmering quarrel with its principal allies over economic policy. Nevertheless, government sources concerned with the meeting's preparation continue to caution that the West German economy is unlikely to respond rapidly to any stimulative measures agreed to at the Bonn meeting while world demand for German exports is weak.

As a result, they say that West Germany will not be tied to specific growth targets, and they warn that the package could still come apart if West Germany does not get the commitments it wants. The size, shape and timing of the additional stimulus that Bonn may agree to remains uncertain, but its willingness to make what one minister called "material contribution to the summit's success" is being acknowledged fairly openly by officials.

Only last week, for instance, Bundesbank president Otmar Emminger told a conference in Munich that the country was ready to "cooperate in order to narrow its economic growth differential with the United States." Although the government is officially committed to a 3.5-percent growth rate this year, no one seriously believes that this can be achieved. The nation's five independent economic forecasting institutions all believe growth will be below 3 percent.

The summit package may also include an undertaking by members of the Common Market to seek greater stability among their currencies to encourage trade and investment. But West German sources do not believe the governments will be ready to give iron-clad commitments.

**Delays Budget Plan**

Bonn, June 7 (AP-DJ) — The cabinet decided today to delay a decision on its 1979 budget proposal until July 26, Finance Minister Hans Matthöfer said. He said the delay would allow the government time to review discussions at the July summit, to analyze first-half economic results and to collect data for a new tax-revenue analysis.

**Fukuda Sees Possibility Of New Stimulus in Japan**

TOKYO, June 7 (Reuters) — Supplementary measures to accelerate Japan's economic recovery may become necessary within a few months, Prime Minister Takeo Fukuda acknowledged today.

Speaking to a meeting of the ruling Liberal Democratic Party, he said the nation's economy is showing signs of improvement as measured by recent economic indicators. However, he said that while he hoped the present upturn would be consolidated, it was possible this would not happen — making additional moves necessary.

Japan has targeted a 7-percent growth rate for the current fiscal year and, although widely doubted by economists as achievable, Mr. Fukuda has made it a pillar of his campaign to spur demand at home and induce imports to curtail the nation's trade surplus. During his visit to Washington last month, he stressed his intention to "take whatever measures necessary" to achieve the goal.

Meanwhile, a survey by the Economic Planning Agency indicated that Japan's trade surplus this year may rise about 35 percent from the \$17.4-billion surplus recorded in 1977.

The government agency's survey of 38 leading trading houses showed that customs-clearance exports this year will total \$36 billion while imports will total \$30.9 billion, leaving a gap of \$15.1 billion. Based on the formula used by the International Monetary Fund to determine trade balances, the estimated trade gap will total about \$23.2-billion.

The government officially projects a trade surplus of \$13.5 billion and a current-account surplus of \$6 billion for the fiscal year ending March, but has made no predictions for the calendar year to compare with the EPA forecast. However, in April, Mr. Fukuda said that "even God" could not help Japan stick the target for reducing its current-account surplus.

The governor of the Bank of Japan, Toshiyuki Morioka, today said Japan will do its best to cut its trade surplus, but urged the United

States to make more of an effort to cut its own trade deficit which totaled \$31 billion last year.

[The EPA also reported that survey results show a steady increase in consumer spending in the April-June quarter compared with a year earlier. The average household income in the quarter would rise 7.7 percent to about \$39,000 yen — about \$3,800 — and average spending per household would advance 5.6 percent to \$37,000 yen. AP-Dow Jones reported.]

The EPA also reported that private-sector orders for machinery, excluding ships, fell 23.4 percent in April to 268.74 billion yen seasonally adjusted from 350.78 billion yen the previous month. On an unadjusted basis, orders fell 4.4 percent from a year earlier.

Meanwhile, about 500 leading Japanese companies listed on the Tokyo Stock Exchange had average pre-tax profit increases of 2.5 percent for the six months ended March compared with a year earlier, according to a survey published today by Nihon Keizai Shimbun, the financial daily. It said 240 of the companies actually had larger profits while 59 said that previous deficits had been turned around.

Soybean prices are likely to be higher during most of the coming 15 months unless the U.S. crop this autumn is unexpectedly far larger than last year's record 1.72 billion bushels, market analysts say.

Typically, soybean prices weaken in the months before a big new crop comes in. But, currently, demand is booming and supply prospects are uncertain, analysts report. The effects will be widely felt, for the vegetable oil, meal, flour and other products made from soybeans are an important feeding or processing ingredient in roughly 75 percent of the most popular U.S. foodstuffs.

"Fear will play a big role in soybean and soybean-product markets," predicts one industry executive. "We were expecting big surpluses until recently. Now it looks like we might be down to a four- or six-week supply by next September when the harvest begins. Even a hint of big trouble this growing season could trigger volatile and perhaps record high prices."

Higher prices are not certain, however. A roughly parallel situation this time last year was followed by a sharp drop in demand just before harvest. However, soybean prices currently are more than \$2 a bushel lower than a year ago, "and demand seems more apt to extend clean through September," says George Kromer, an Agriculture Department economist.

Analysts at R.G. Dickinson & Co., a Midwestern brokerage firm, put the case even more bluntly: "In 1973, \$12-a-bushel soybeans, \$400-a-ton soybean meal, a 35 spread between the prices of old- and new-crop soybeans and an embargo on exports were all necessary to enforce a curtail in May through August usage. Last year, it took \$10 beans, \$300 meal, cheap corn, a \$3 price spread between the old and new crops and a major increase in soybeans from Brazil to force the reduction."

The Agriculture Department has been raising its consumption estimates monthly since January, but some in the trade say even the latest estimate — that 1.65 billion bushels will be used in the year ending Sept. 1 — is too low. U.S. supplies lately have been dwindling by 30 million bushels or more weekly, or about one million too many to coincide with the department's projections. Processors have

**Soybean Price Seen Up Over 15 Months**

crushed about 10 percent more soybeans than last year since harvest, but their soybean meal and oil inventories currently are respectively about 33 and 44 percent lower than a year ago. Exports are running about 13 percent greater than last year as well, because the U.S. crop is filling a void left by poor harvests in Brazil and other countries, analysts say.

Paul Cisneros, research director at Weinberg Brothers & Co., a Chicago brokerage house, estimates 1.7 billion bushels or more will be drawn from U.S. stocks this marketing year and probably an equal number in the next, up almost 19 percent from 1.43 billion bushels last year.

Most of the 1979 soybeans will have to come from this autumn's harvest, however, and there is some confusion about how big that might be. The Agriculture Department in April estimated farmers are planting 63.7 million acres of soybeans this spring, 8 percent more than last year. Some market watchers contend that because wet weather fouled up many corn-planting plans, farmers will actually plant nearer 65 million acres.

Others assert plantings are slipping to about 61 million acres as a side effect of unexpectedly popular government efforts to cut surplus wheat and feed-grain production.

**FTC Hits SKF, Federal-Mogul Pact**

A Federal Trade Commission (FTC) official has ruled that a supply agreement between Federal-Mogul Corp. and SKF Industries "was a conspiratorial scheme to allocate markets" in violation of the antitrust laws but found that SKF's acquisition of two competing ball-bearing companies was not illegal. Under the agreement, SKF became Federal-Mogul's supplier of bearings for the automotive parts market, and Federal-Mogul stopped plans for manufacturing the bearings while SKF stopped distributing them. The presiding judge ordered cancellation of the 1974 agreement one year after a final order in the case to "rid the bearings industry of the effects of this illegal conspiracy." A final order may be a long time off, however, because the decision will be appealed to the commission, whose decision may then be appealed to the federal courts. The judge also barred SKF and its Swedish parent company, the world's largest bearing manufacturer, from supplying certain types of tapered roller bearings to Federal-Mogul.

**U.K. Car Sales Rise 6.4% in May**

U.K. auto sales rose 6.4 percent in May to 131,331 from a year earlier — the sixth consecutive month that sales were above year-earlier levels, the Society of Motor Manufacturers and Traders reports. For the first five months, new car registrations have risen 22.4 percent to 736,329. Industry analysts forecast 1978 sales of 1.6 million cars, making it the best year since 1973. Imports last month increased their share of the market to 48.2 from 42 percent while sales of Japanese cars continued to rise despite official "administrative guidance" aimed at curbing Japan's

U.K. sales. Japanese car sales in May rose 4 percent to 13,647 units and in the first five months surged 31.6 percent to 83,343 units, giving them a 11.3-percent market share compared with 9.1 percent a year earlier. Ford of Britain was the top seller for both May and the first five months, followed by British Leyland, Vauxhall Motors and Chrysler U.K.

**Xerox Partial Winner in SCM Suit**

A federal jury has returned a partial verdict in SCM's suit alleging Xerox illegally monopolized the plain-paper copier market. On the first four crucial questions concerning markets, the jury rejected SCM's claims there was a market Xerox could have monopolized in plain- and coded-paper copiers in 1964. This means that SCM will not be able to collect the \$1.5-billion in treble damages it had sought. Some damages still are possible, however, as the jury found in favor of SCM's contention that relevant markets existed for convenience office copiers in 1969. The jury still has 71 questions remaining to be decided.

**Nissan to Assemble Autos in Nigeria**

Nissan, of Japan, will build Nigeria's third and largest automobile assembly plant in Ikorin, 150 miles northeast of Lagos. Local press reports quote the federal minister of industries, R.A. Adeleke, as saying the plant initially will produce 100,000 Datsuns a year and will be the company's biggest outside Japan. Nigeria's two assembly plants are in partnership with Peugeot and Volkswagen, which together produce about 8,000 autos a year. Peugeot, meanwhile, has signed an agreement to build its model 504 in Taiwan. Industry sources say production is expected to total about 2,500 units a year.

**Seen Impacting Common Carriers****House Unit Rewrites Broadcast Rules**

WASHINGTON, June 7 (AP-DJ) — A House communications subcommittee released today its long-awaited rewrite of the 1934 Communications Act — the basic charter governing broadcasting — and called for an overhaul of federal communications laws that would have a profound impact on American telephone and telegraph and other common carriers.

The legislation, which still must be approved by both houses of Congress, would bar telephone companies from the manufacture of telephone equipment — a move that would force AT&T to get rid of its Western Electric manufacturing arm and similarly force General

Telephone & Electronics to shed either its telephone or equipment operations, subcommittee staff members explained.

The legislation would create a new communications regulatory commission as a greatly streamlined replacement for the present Federal Communications Commission. The new commission among other things would be directed to decide the extent in which one telephone service should subsidize another. Such cross-subsidy decisions, which determine the rates of different telephone services, mostly have been left to negotiations between AT&T's Bell System and state utilities commissions.

**New Opportunities**

At the same time, the proposal would offer AT&T and other carriers opportunities to compete in markets now closed to them. By sweeping aside existing government and court restrictions, for example, the bill would enable phone companies to offer customers computer services. It also would allow them to offer cable television over their systems. Competition with cable-TV companies is now barred by FCC regulations. Overall, the proposed bill seeks the freer play of market forces and a smaller role for federal regulators. It would junk most of the regulations adopted by the FCC.

The bill would almost entirely deregulate radio with AM and FM stations granted total freedom on programming and indefinite licenses for their owners. The license periods for TV stations would be extended to five years from the

present three with the prospect of indefinite licenses after the second renewal. However, the bill would limit the owners of broadcast properties to a maximum of five radio and five TV stations compared with the seven AM radio, seven FM radio and seven TV stations currently allowed.

**Big Board Prices Lower**

NEW YORK, June 7 (Reuters) — Prices on the New York Stock Exchange closed lower today in what analysts termed an expected correction after the gains of the prior six sessions.

However, the California tax-roll-back vote proved beneficial to a number of housing and savings and loan issues, they said.

Stock prices "just went up too fast and had to come down," an analyst remarked, adding that the market "was holding the gains rather well" in light of the pace of the increase.

Another analyst said that the amount of uncommitted cash still in the hands of portfolio managers made it likely that any market decline would be contained. Also contributing to the sentiment, he said, were comments by presidential inflation counselor Robert Strauss predicting June inflation statistics would show improvement from recent levels.

The Dow Jones industrial average fell 4.39 to 861.92 after climbing nearly 33 points in the six previous sessions. Declining issues slightly led advances by an 8-to-7 margin.

**U.S. Capital Outlays Seen Up 6% in '78**

WASHINGTON, June 7 (AP-DJ) — U.S. businessmen plan to increase spending for plant and equipment a little less than 6 percent this year from last year's level, after adjustment for inflation, the Commerce Department said today. The increase in spending plans is slightly above the real 5.5-percent increase expected for the year as reported in a similar survey by the department released in March. According to the latest survey, taken in April and May, business plans to spend \$151.1 billion, up slightly from the March survey's projection of \$150.7 billion and up 11.2 percent from the \$135.8 billion spent last year before adjustment for inflation.

Business spending rose 12.7 percent before inflation adjustment in 1977 from the previous year. The annual inflation rate used to adjust the figures in the latest report is 5.3 percent. Manufacturing industries expect an unadjusted 11.8-percent increase in spending this year compared with a 14.6-percent rise last year. Non-manufacturing industries look for a 10.7-percent increase this year compared with a rise of 11.2-percent last year.

Almost every major sector planned increases in spending, led by a 35.8-percent rise for air transportation. The only decline in spending plans, a drop of 4.4 percent, was in transportation industries other than air and rail. Railroad spending plans were up 19.3 percent, public utilities spending plans showed an increase of 12.1 percent and the communications industry, an increase of 13 percent.

The department said capital spending rose 4.4 percent in the first quarter of the year following a 1.6-percent decline the previous quarter.

Volume dropped to about 33 million shares from a hectic 51.97 million yesterday.

However, prices rose on the American Stock Exchange with the market-value index setting its third consecutive record high at 147.59, up 0.44 and the average price per share rising four cents.

Pet gained 1/4 to 54 1/4 in active trading after IC Industries said it will proceed with a tender offer for Pet shares at \$54 each unless Pet and Hurder's Food System shareholders approve their proposed merger. IC was unchanged at 26 but Hurder's lost 1/4 to 16 1/4.

Inspiration Consolidated surged 7 1/2 to 33 1/2 after the company said it will not oppose plans by Canada's Hudson Bay Mining and Resources Corp. to buy the remaining Inspiration shares they do not own at \$33 each.

Kerox added 1/4 to 54 1/4. Agriculture Department, in its first estimate for the 1978/79 world coffee crop, predicted production of 74.6 million 60-kilogram bags, up 9 percent, or six million bags, from the previous year's level and 14 million bags above the 1976/77 crop.

On a quarterly basis, plans call for a increase of 3.2 percent in the second period, 3.3 percent in the third and 2 percent in the final quarter.

**Fed Decries Control Use**

WASHINGTON, June 7 (IHT) — Federal Reserve Board chairman William Miller declared firmly that there is no place now or in the future for wage and price controls.

He told a National Press Club luncheon today that he has noted the unease of the business community about possible controls and said it is time to put the idea of controls to bed so the country can continue towards economic stability.

"They won't work. They're ineffective. And I'm disturbed by business people who think there's still a chance that some day they will be imposed," he said.

Mr. Miller said he has not asked the President for permission to invoke credit controls and he does not have any intention to do so. He said that while he would favor a cut in the capital gains tax after a period of economic discipline, he does not think this is the correct time to bring about a measure that would further add to the federal deficit.

There is no "quid pro quo" involving administration policies, he said. Reductions in interest rates could only be based on a lower inflation rate, he said in response to a question whether the Fed had agreed to ease monetary policy in return for cuts in spending or proposed tax cuts. He said that to the extent that the administration exercises greater fiscal restraint, the pressure on monetary policy will be eased, although he added that that does not necessarily mean easier money policies would follow fiscal restraint. "It can only be done against the realities of the economic conditions that exist in the time in which we make those decisions," he said.

Mr. Miller also outlined an eight-point economic strategy which he feels contains the disciplines necessary to restore economic stability in the United States.

They include: returning spending resources to the private sector; reducing the federal deficit with a balanced budget by 1982; increasing business fixed investment from 9 percent of gross national product to 12 percent, over five to seven years; increasing housing starts by an annual 75,000-to-100,000 over the next five years; and increasing exports from 7 percent of GNP to 10 percent.

Also, preparing for additional individual income tax reductions; instituting more regulatory reform; and making a firm commitment to reduce inflation by a steady 4-to-5 percent a year.

**Net Falls 29.3%, Sales Rise For Hoffman-Roche**

BASEL, June 6 (AP-DJ) — Net profit of the Hoffmann-La Roche group, including its holding company Sapiac Corp., fell 29.3 percent in 1977 from a year earlier despite a 7.3-percent rise in world sales, the company said today.

The pharmaceuticals and chemicals multinational cited foreign-exchange losses for the decline in net to 335.9 million Swiss francs (about \$175 million) from 475.1 million francs a year earlier. Group sales rose to 5,487 billion francs from 5,115 billion francs.

Foreign-exchange losses last year amounted to 205 million francs, up sharply from 61 million francs in 1976. The board has proposed an unchanged dividend of 250 francs per share and per participation certificate.

Group sales expressed in Swiss francs have fallen about 10 percent in the first four months of this year from a year earlier, chairman Adolf Jeun said.

**New Issues Set by Canon, Asics**

TOKYO, June 7 — Canon will issue 100 million Swiss francs in five-year convertible bonds with an annual interest rate of 3 1/2 percent priced at par, the company said today.

In Osaka, Asics Corp. said it will float a \$15-million convertible Eurobond next month. Although terms have not been set, sources said the issue is expected to be for 15 years with a coupon of 6.25 percent.

In London, Baker International intends to float a \$30-million, 15-year convertible Eurobond with a 5.5 percent annual coupon. The conversion price is expected to range between 12-to-15 percent above the price of the shares when the final terms are set on June 19. Formerly known as Baker Oil Tools, the company manufactures and sells a wide range of products in the oil industry.

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30	22	PatMed	2.9	84	14	13%	135	135	135	135	135
25%	25%	PatMed	2.9	84	14	13%	135	135	135	135	135
16%	15	PatMed	2.9	84	14	13%	135	135	135	135	135
3%	1%	PatMed	2.9	84	14	13%	135	135	135	135	135
17%	16%	PatMed	2.9	84	14	13%	135	135	135	135	135
13%	11	PatMed	2.9	84	14	13%	135	135	135	135	135
7%	5%	PatMed	2.9	84	14	13%	135	135	135	135	135
11%	11%	PatMed	2.9	84	14	13%	135	135	135	135	135
11%	7%	PatMed	2.9	84	14	13%	135	135	135	135	135
15%	14%	PatMed	2.9	84	14	13%	135	135	135	135	135
20%	15%	PatMed	2.9	84	14	13%	135	135	135	135	135
24%	12%	PatMed	2.9	84	14	13%	135	135	135	135	135
27	17%	PatMed	2.9	84	14	13%	135	135	135	135	135
4%	3%	PatMed	2.9	84	14	13%	135	135	135	135	135
20%	15%	PatMed	2.9	84	14	13%	135	135	135	135	135
34%	26%	PatMed	2.9	84	14	13%	135	135	135	135	135
29%	17%	PatMed	2.9	84	14	13%	135	135	135	135	135
34%	26%	PatMed	2.9	84	14	13%	135	135	135	135	135
21%	16%	PatMed	2.9	84	14	13%	135	135	135	135	135
41%	30%	PatMed	2.9	84	14	13%	135	135	135	135	135
37%	27%	PatMed	2.9	84	14	13%	135	135	135	135	135
21%	16%	PatMed	2.9	84	14	13%	135	135	135	135	135
57%	40%	PatMed	2.9	84	14	13%	135	135	135	135	135
27%	15%	PatMed	2.9	84	14	13%	135	135	135	135	135
36%	26%	PatMed	2.9	84	14	13%	135	135	135	135	135
34%	24%	PatMed	2.9	84	14	13%	135	135	135	135	135
34%	24%	PatMed	2.9	84	14	13%	135	135	135	135	135
15%	8%	PatMed	2.9	84	14	13%	135	135	135	135	135
30%	22%	PatMed	2.9	84	14	13%	135	135	135	135	135
14%	12%	PatMed	2.9	84	14	13%	135	135	135	135	135
14%	12%	PatMed	2.9	84	14	13%	135	135	135	135	135
14%	12%	PatMed	2.9	84	14	13%	135	135	135	135	135
14%	12%	PatMed	2.9	84	14	13%	135	135	135	135	135
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14%	12%	PatMed	2.9	84	14	13%	135	135	135	135	135
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14%	12%	PatMed	2.9	84	14	13%	135	135	135	135	135
14%	12%	PatMed	2.9	84	14	13%	135	135	135	135	135
14%	12%	PatMed	2.9	84	14	13%	135	135	135	135	135
14%	12%	PatMed	2.9	84	14	13%	135	135	135	135	135
14%	12%	PatMed	2.9	84	14	13%	135	135	135	135	135
14%	12%	PatMed	2.9	84	14	13%	135	135	135	135	135
14%	12%	PatMed	2.9	84	14	13%	135	135	135	135	135
14%	12%	PatMed	2.9	84	14	13%	135	135	135	135	135
14%	12%	PatMed	2.9	84	14	13%	135	135	135	135	135
14%	12%	PatMed	2.9	84	14	13%	135	135	135	135	135
14%	12%	PatMed	2.9	84	14	13%	135	135	135	135	135
14%	12%	PatMed	2.9	84	14	13%	135	135	135	135	135
14%	12%	PatMed	2.9	84	14	13%	135	135	135	135	135
14%	12%	PatMed	2.9	84	14	13%	135	135	135	135	135
14%	12%	PatMed	2.9	84	14	13%	135	135	135	135	135
14%	12%	PatMed	2.9	84	14	13%	135	135	135	135	135
14%	12%	PatMed	2.9	84	14	13%	135	135	135	135	135
14%	12%	PatMed	2.9	84	14	13%	135	135	135	135	135
14%	12%	PatMed	2.9	84	14	13%	135	135	135	135	135
14%	12%	PatMed	2.9	84	14	13%	135	135	135	135	135
14%	12%	PatMed	2.9	84	14	13%	135	135	135	135	

## NEW ISSUE



June 1978

Kuwaiti Dinars 10,000,000

# Banco Nacional de Crédito Rural, S.A.

*(incorporated in the United Mexican States)*

8 $\frac{1}{4}$  per cent. Notes due 1990  
(redeemable at the option of the holders in 1985)

Issue price 100 per cent.

**Kuwait Foreign Trading Contracting  
& Investment Co. (S.A.K.)**

**Merrill Lynch  
International & Co.**

**Abu Dhabi Investment Company**  
**Gulf International Bank B.S.C.**

# Kuwait International Investment Co. s.a.k

Al Ahli Bank of Kuwait (K.S.C.)      Al Saudi Banque      American Express Middle East Development Company S.A.L.  
Arab African Bank - Cairo      The Arab and Morgan Grenfell Finance Company Limited  
The Arab Company for Trading Securities S.A.K.      Arab Financial Consultants Company S.A.K.  
Arab Finance Corporation S.A.L.      The Arab Investment Company S.A.A. (Riyadh)  
Arab Investments for Asia (Kuwait) K.S.C.      Arab-Malaysian Development Bank Limited  
Arab Trust Company K.S.C.      Banque Arabe et Internationale d'Investissement (B.A.I.I.)  
Bank of Bahrain and Kuwait      Banque de Paris et des Pays-Bas      Bankers Trust International Limited  
Bayerische Vereinsbank International S.A.      Burgan Bank S.A.K., Kuwait  
Byblos Arab Finance Bank (Belgium) S.A.      Citicorp International Group - Bahrain  
Dillon, Read Overseas Corporation      European Arab Bank Ltd - Bahrain      European Banking Company Limited  
Euroseas Banking Co. (Qatar) Limited      Financial Group of Kuwait K.S.C.      First Boston A.G.  
Frab Bank International      The Gulf Bank K.S.C.      Hill Samuel & Co. Limited  
The Industrial Bank of Kuwait K.S.C.      J. Henry Schroder & Co. S.A.L.      Kuwait Financial Centre S.A.K.  
Kuwait International Finance Co. S.A.K.      "KIFCO"      Kuwait Investment Company (S.A.K.)  
Manufacturers Hanover Limited      National Bank of Abu Dhabi      National Bank of Bahrain  
The National Bank of Kuwait S.A.K.      Nederlandse Credietbank N.V.      Riyad Bank Limited  
Salomon Brothers International Limited      Smith Barney, Harris Upham & Co. Incorporated  
Union de Banques Arabes et Européennes—U.B.A.E.      Union de Banques Arabes et Françaises—U.B.A.F.

## Currency Rates

By reading across this table of yesterday's closing inter-bank foreign-exchange rates, one can find the value of the major currencies in the national currencies of each of the following financial centers. These rates do not take into account bank service charges.

	£	DM	FF	L.fr.	Gldr.	BF com.	Swiss F.	Dms. Nr.
Amersterdam	2.737	4.079	107.055	48.54	0.2508	0.646	112.11	39.55
Brussel (c)	32.70	59.565	15.634	7.0895	3.791	14.6095	117.1495	2.778
Frankfurt	2.0933	3.8087		49.328	2.423	92.29	69.55	36.96
London (c)	2.8379		3.807	8.39025	45.7130	4.07625	5.748	10.29
Paris	86.70	1.370.45	412.5	167.00		26.537	451.74	152.40
Porto	4.60375	8.3983	220.59		5.351	206.11	14.1065	241.45
Zürich	1.00775	1.77025	91.32575	14.343	0.3715	16.1915	1.61615	33.7265

The following are Dollar values as quoted on the London foreign exchange market: Danish Krone 5.04875; Ecuador: 45.875; Israeli £ 17.215; Panama: 80.015; Schilling: 14.995; S. Korea 4.677; Yen 220.775; Nore. Krone: 5.411; Fin. Mark: 4.268; Belgian Franc: 21.735; Hong Kong \$: 4.6905; Singapore \$: 2.328; Canadian \$: 89.745 U.S. cents.

(\*) Commercial Franc. (\*\*) Units of 1000. (x) Units of 1000. (y) Units of 1000. (z) Amounts needed to buy one pound

## Selected Over-the-Counter

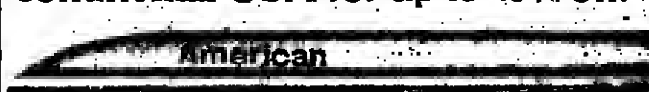
<b>NEW YORK (AP)—</b>	<b>Closing Prices, June 7, 1978</b>	Petition	26 27
The following list is a		Piedmont	11½-11¾
selected National Secu-	Growth 25¼-26½	Pierces	11½-12

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AT&T	13%	14%	Dell	13%	13%	Kings	4%	7%	Road	22%	33%
APinCo	25%	26%	Dominic	28%	28%	KosmoV	18%	19%	RobbM	32%	26%
Afurn	3%	4%	DorChs	10%	18%	Kroto	23%	28%	Rosefor	3	5%
AGree	13%	13%	DovePB	22%	24%	Lancan	19%	20%	Rouse	9%	9%
AMicros	21%	22%	DunkinD	16%	16%	LandRes	7%	9%	RussSol	18%	16%
ATVCom	46%	48%	Durion	20%	20%	LoneCo	22%	23%	Sedler	8%	3%

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12 Month Stock										12 Month Stock										12 Month Stock									
High	Low	Div.	In \$	Yld.	P/E	Sis.	100s.	High	Low	Close	Prev	Quot.	Close	Sis.	100s.	High	Low	Close	Prev	Quot.	Close	Sis.	100s.	High	Low	Close	Prev	Quot.	Close
12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12

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#### KEY FACTS

**Wednesday's** **KEY FIGURES**

**NET TONNES**

CombEng	ImpCapAm	Spring Mill
Computer w/	Inspirat Cop	SidMata
Cont Data	Intecon Co	SidOUCh w/

## Company Activities

—Diversification of activities in the mining sector through the participation, jointly with a local subsidiary of Sibeka, in a working of alluvial diamonds of which prospects look interesting (Mineração Tejuarana).

—As shareholder in the Paraiibuna de Metais company, participation in the construction of a zinc electrolytic works at Juiz de Fora that will have an annual production capacity of 30,000 mt of zinc metal and is all the more

**THE EVENTS IN SHABA**

## THE EVENTS IN SHABA

*Copies in English, French, Dutch, Spanish and Portuguese, of the 1977 annual report and of the Statement of the*

*Copies, in English, French, Dutch, Spanish and Portuguese, of the 1977 annual report and of the Statement of the*







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**"Long Distance is the next best thing to being there."**

(Figures in French francs per metric ton)				(Figures in sterling per metric ton)	
June 7, 1977				(Silver in pence per troy ounce)	
1.25	1.25	1.25	1.25	1.25	1.25

Grade	Weight	Price	Weight	Price	Weight	Price
GAAR	N.T.	N.Y.	800	900	Unch.	
	920	920	920	920	+2	
	920	920	920	920	+3	
	940	N.Y.	920	920	Unch.	
	940	920	940	940	+3	
	960	N.Y.	980	980	Unch.	
	1,010	1,000	1,001	1,015	+4	
	N.T.	N.T.	1,000	1,025	Unch.	
100 lbs.						
COA	N.T.	N.T.	1,200		+30	
	1,400	1,400	1,414	1,414	Unch.	
	1,425	1,425	1,398	1,354	+5	
	N.T.	N.T.	1,398	1,350	Unch.	
	N.T.	N.T.	1,320		+5	
	N.T.	N.T.	N.O.	N.O.	Unch.	

**7TH** platefully equipped kitchen, garage. Frs. 1,350,000. Call 487-8363 or 487-A194

**7 RUE VANEAU**

**3 ROOMS**

**LUXURIOUS APARTMENT**

On premises, Thursday, Friday  
3 - 6 pm, 100% government owned, every  
SAGE - 359.43.62  
21 av. Montargis, Paris 8th.

**HEART OF LATIN QUARTER, in beautiful 16th c. remodeled building, apartment of great charm. High ceilings, large windows, tile floors, kitchen, bath, and masterpieces. 110 sqm., well furnished with kitchen, library and bedroom. 1-426-1111**

**ITALY**

**AVENUE FOCH: SPLENDID**

4 bedrooms, 3 baths, equip.  
 in: carpet, ceramic, moldings

**When in Paris**  
**Palazzo al Velastro**  
Luxury apartment house with furnished  
flats, available for 1 week and more  
from \$40 a day (tax free).  
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Write: Via del Velastro 16,  
00186 Rome.

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phone, carpet parking. Fr. 4100.  
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12,350 net. Tel. 793 79 51.

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1400 sq. ft. 1400 sq. ft. 1400 sq. ft.  
bedrooms + 2 baths + fire  
+ garage. Tel. 7239 21 +  
7239 22. 1400 sq. ft. 1400 sq. ft.  
large living + 2 bedrooms  
garage, phone, Fr. 31,500.  
5000 sq. ft. 5000 sq. ft.

**POITE MAILLOT** living +  
bath, equipped kitchen,  
condition, phone, 6736 18.

**5TH MEZANINE** in ap-  
artment overlooking garden,  
duplex, living, kitchen, 2  
bathrooms, phone,  
63000 Col Marmones, 225 76.

**92 VILLAS PRAYAY** very  
large reception, 6  
large, garage, 2200 sq. ft.  
phone, 2200 sq. ft.

seeks post in newspaper, magazine or publishing. Box 4789 Herald Tribune, Paris.

**US LADY, 21**, with valid working papers and SA in French and Spanish seeks serious job in Paris. Write Box 4793 Herald Tribune Paris.

**DUTCH GIRL, 22**, good appearance, fluent English-French, seeks position in English-American firm in Paris, as hostess/interpreter. Tel. 604 46 56.

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A Private Palace located in the distinctive community of Deerfield Beach  
FIRST-CLASS APARTMENTS.  
Minimum rental 2 months.  
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houses, oil interior decorating, call for appointment 553.04.16. or 704.77.00.

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33, avenue Foch  
in exceptional

**LARGE BALCONY  
ON GREENERY, SOUTH**

**EXCEPTIONAL**  
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**CENTRAL LONDON.** Furnished holiday apartment, 2 rooms, kitchen, bathroom. Sleeps 4. 3 weeks minimum. 35km from PARIS in beautiful park, lovely large house, living, dining, study, 7 bedrooms, 4 baths. Call morning.

**7TH**  
**7 RUE VANEAU**

**5 ROOMS, 225 SQ.M.,**

2-6 p.m. or appointment every day  
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21 Ave. Montaigne, Paris 8th.

**71H**  
**7 RUE VANEAU**

**3 ROOMS**  
11 MONTHS APARTMENT  
Rents, available for 1 week and more from \$40 a day for two.  
Phone: 679-0225, 679-3450  
+ garage. Tel: 723-5929.  
**FLAHERTY** 25 mins. Aulander West, villa, large living + 5 bedrooms. 2 baths.  
**DUTCH GIRL** 22, good appearance, Great English Cook, excellent waitress.

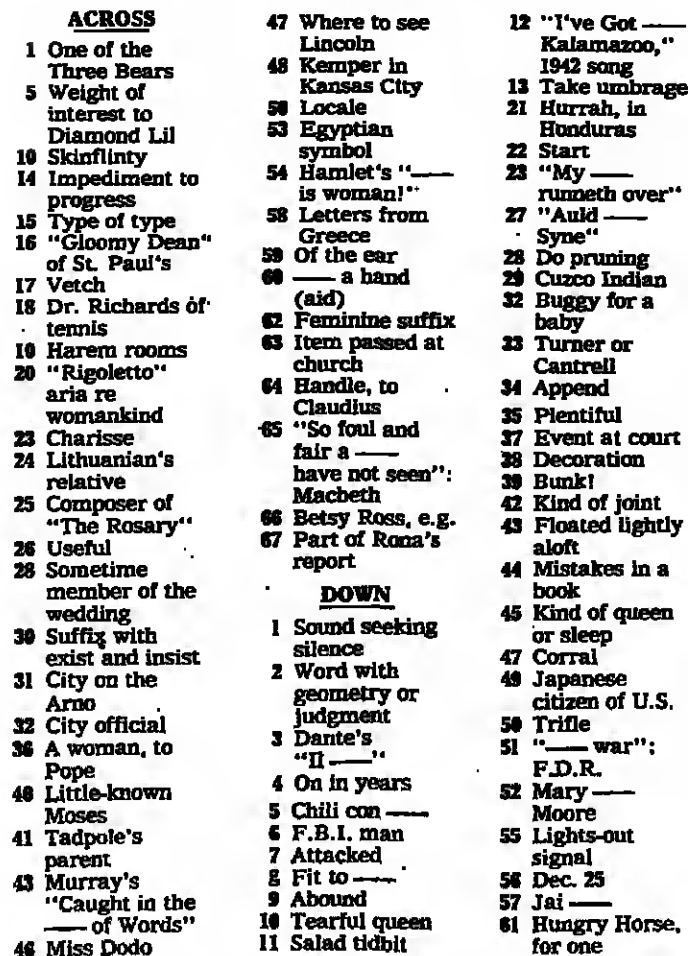
3-6 pm, or appointment every day  
SAGE - 359.63.63.  
21 ave. Montaigne, Paris 8th.

new, luxurious 5 rooms, kitchen, bath, 92 VILLE D'ORAY

6 (C) 10/15/2011 03:40



**By Eugene T. Maleska**



C F			C F		
ALGARVE	17 63	Cloudy	MADRID	22 72	Overcast
ANTWERP	19 66	Overcast	MIAMI	30 84	Cloudy
ANKARA	27 81	Clear	MILAN	24 75	Cloudy
ATHENS	27 81	Clear	MONTREAL	19 46	Cloudy
BEIRUT	-	N.A.	MOSCOW	25 77	Clear
BELGRADE	27 81	Clear	MUSKOGEE	27 77	Overcast
BERLIN	28 82	Showers	NAGASAKI	19 46	Foggy
BRUSSELS	18 64	Overcast	NICE	27 72	Roil
BUCHAREST	27 81	Clear	OSLO	28 84	Cloudy
BUDAPEST	28 82	Overcast	PALERMO	28 84	Overcast
CASABLANCA	20 68	Overcast	PRAGUE	28 78	Cloudy
CORNFHAGEN	21 70	Showers	ROME	24 75	Cloudy
COSTA DEL SOL	28 82	Overcast	SOFIA	25 75	Cloudy
DUBLIN	15 55	Roil	STOCKHOLM	27 81	Cloudy
EDINBURGH	15 59	Overcast	TEHRAN	-	N.A.
FLORENCE	26 78	Cloudy	TEL AVIV	27 81	Clear
FRANKFURT	25 77	Clear	TUNIS	28 84	Clear
GENEVA	26 78	Cloudy	VIENNA	24 73	Overcast
MELNKHIN	26 78	Clear	WARSAW	24 78	Cloudy
ST ANTOUL	24 74	Cloudy	WASHINGTON	28 84	Cloudy
LA PALMAS	21 70	Cloudy	ZURICH	24 75	Overcast
LISBON	21 70	Cloudy			
LONDON	18 68	Overcast			
LOS ANGELES	18 64	Cloudy			

(Yesterday's readings in U.S. and Canada at GMT; all others at 1200 GMT.)

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June 7, 1878

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SHAMON

**DEKBEC**

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Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Yesterday's Jumbles: YIELD ABYSS EMPLOY FASTEN  
Answer: "I alone am this!"—"BY MYSELF"

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"Printed in Great Britain"

\_\_\_\_\_



OF COURSE I WOULDN'T SELL HIM!  
WOULD YOU SELL YOUR SISTER?"

**THE OTHER HALF**  
*A Self-Portrait*

*By Kenneth Clark. Harper & Row. Illustrated. 259 pages. \$12.95*

Reviewed by Christopher Lehmann-Haupt

IN THE first volume of Lord Clark's autobiography, "Another Part of the Wood," we learned how, despite a singular lack of qualification for anything he ever undertook in his life, the author nevertheless became the highly successful director of the Wallace Collection Gallery and Keeper of the King's Pictures, and with his wife, Jane, succeeded at befriending most of

Vivien Leigh, Laurence Olivier, Charles de Gaulle, Pablo Picasso, Ezra Pound, Walter Lippman, Felix Frankfurter, Igor Stravinsky, Calouste Sarkis Gulbenkian, Bernard Berenson, Somerset Maugham, Yehudi Menuhin, E.M. Forster and nearly every other member of the cultural elite. Clark, who is now 78, is usually too busy illuminating slightly less familiar people.

England. In "The Other Half: A Self-Portrait, the incompetent bumbles on. He begins with the events that led to his receiving false credit for being "the man who saved the nation's pictures" during World War II by depositing them in the Manod caves in north Wales. This claim is entirely unjustified. The war was fought in Germany, and he received inadequate thanks from me, and as far as I know, no official recognition, not even an OBE. That was partly due to his diffidence, and partly because he was the most relentless bore I have ever known, and the kind of people who distribute honours fled from his anarchy."

At the same time as he wasn't saving England's pictures, he was appointed director of the film division of the wartime Ministry of Information, where, he messed things up sufficiently to be advanced to Controller of Home Publicity. After the war, he resigned from the National Gallery ("Had I been a good director? . . . not really") and tumbled into the job of Slade Professor of Fine Arts, where he began to turn what little he knew about art into lectures and books. This new activity along with

his somehow having managed to found the Independent Television Authority ("Like all pseudo-intellectuals I had at first been hostile to the idea of television.") would eventually lead to his doing the television series "Civilisation," which got off to a poor beginning but culminated in making him famous—inexplicably and embarrassingly. ("I was brought up to believe that any work of art, music or literature that is enormously popular must have something seriously wrong with it. I see no reason why 'Civilisation' should be an exception to this rule").

“There is even some question as to whether Clark ought to have written this second volume. His memory is failing, he keeps protesting when he isn't describing in minute detail the people, places, and art objects he knew over a quarter-century ago. He would say, ‘I never ever had in my life,’ Clark observes, ‘there were problems of upkeep and an oppressive feeling of nimby, or too-muchness. I have suffered from it all my life — too many possessions, too many books, too much to eat and drink.’”

He hardly needed to add, "too much success." For, which, I presume, he is compensating by insisting that it was based on far too little.

Christopher Lehmann-Haupt is a book reviewer for *The New York Times*.

## New U.S. Casino Reports Its Take

ATLANTIC CITY, N.J., June 7 (NYT) — Resorts International reported that in the first six days of operating the nation's first legal gambling casino outside Nevada it

The report yesterday, based on figures provided to the State Casino Control Commission in Trenton, said that the casino took in \$2,631,028 from May 26 to the end of the month, which included the Memorial Day weekend. Of this, more than half — \$1,455,219 or \$242,536 a day — was from slot machines, although the machines were taking up less than one-third of the gaming-floor space.

The state limited the number of slot machines because they give the better a poorer chance of winning than do blackjack, craps, roulette, and wheels of fortune, the other forms of gambling at the casino.

*By Alan Truscott*

A normal auction led to four hearts on the hand shown; and West led the spade eight; Dummy played low, and South captured the ten with the king. He played three rounds of diamonds, discarding a spade, and thought matters over.

It appeared that East held spade length headed by A-J-10, so declarer judged correctly that the heart ace was on his left. If East had held that card, he would probably have over-called. So instead of playing a

NORTH (D)		NORTH	
◆ Q43		◆ Q	
♥ K52		♥ 52	
♦ A K Q J		♦ —	
♠ 10 8 7		♠ 10 8	
WEST	EAST	WEST	EAST
████		████	◆ A 6 2

535	SAJ1082	VA108	▽
VA1084	QA	◇	◇
IN7E3	Q84	♣J7	♣Q8
♣J76	Q953		
SOUTH		SOUTH	
♣K97		♣—	
QJ8783		♥J107	
Q84		◇—	
♣AJ7		♣E4	

Both sides were vulnerable. The bidding:

North	East	South	West
1 ♠	Pass	1 ♠	Pass
2 ♠	Pass	4 ♠	Pass
Pass	Pass		

West led the spade king.

On the face of it, South was due to lose three trump tricks and a club for down one. But when he led the king club and exited with his remaining club, West had to concede a trump trick at the finish and the game was made.

## هكذا من الأصل



# Brazil, Spain Draw; Austria Wins

MAR DEL PLATA, Argentina, June 7 (AP) — Three-time World Cup winner Brazil was held to a scoreless tie today by a scrambling Spanish defense.

Austria, meanwhile, outpaced Sweden to win 1-0, on a penalty and qualify for the second round of the World Cup.

The tie between Brazil and Spain was the second round. It played out in a second place behind Austria in Group 3.

The Brazilians must play Austria on the spongy Mar Del Plata field on Saturday.

The Brazilian attacking line was a pale shadow of the precision passing and shooting for which it was known. The absence of Roberto Rivellino seriously hampered the Brazilian team, roundly booed by thousands of its fans here.

But the Spanish defense, led by the spectacular leaps of goalie Miguel Angel Gonzalez, was able to neutralize many of the Brazilian attacks.

In Buenos Aires, Johann Krali, Austria's goalkeeper, converted the penalty in the last minute of the first half.

With Brazil and Spain drawing, Austria cannot be overtaken in Group 3. The Austrians have four points from two games, Brazil has two and Sweden and Spain one each.

Any of the other three teams still has the chance to move into the second round with Austria.

Austria-Sweden was a clean game, unusually free from fouls, yet it was a foul that decided the result.

As the first half was ending, Krali cut into the penalty area from the left wing and Bjorn Nordquist, Sweden's international forward, brought him down.

But the Austrians were clear winners and owed their success to their speed. They were faster to the tackle and to the loose ball than the Swedes.

The Brazilians came close to scoring on three occasions, two of them from Nelinho. The other was from Zico, who took a sizzling free kick in the second half, shaving the Spanish crossbar.

The most thrilling moment of the match came after an intense but imprecise Brazilian bombardment of the Spanish goal. Juninho, the best Spanish attacker on the field, leaped into a counterattack on the left side.



French goalkeeper Jean-Paul Bertrand-Demanes is taken off field.

## France in Defeat, Opponents Advance

By Rob Hughes

CORDOBA CITY, Argentina, June 7 (IHT) — Argentina, Argentina.

Throughout the night, in the streets of Buenos Aires, Cordoba, Mar Del Plata, Mendoza and Rosario — the five cities staging this World Cup — the ecstatic fans rang out. Colorful, patriotic, crowds swarmed down the avenues, waving their banners and flags, peering the air with ticker-tape, blasting their car horns.

Behind the fact that, after two matches, Argentina is into the quarterfinals of the World Cup. Heaven knows what will happen if it actually wins the cup, as its forward play and the continuing intimidation by its crowds of referees suggest is possible. Quietly, sadly, at the Hindu Club in Buenos Aires, the French team was swallowing hard on the television replays which proved that the penalty decision that gave Argentina the victory last night was, to say the least, dubious. They are now out of the World Cup despite providing us, in two games against Italy and Argentina, with perhaps the best middle soccer so far.

So, the French are sharing their hotel with Italy, which last night also assured itself of a place in the last eight. And worse, France may now lose Michel Hidalgo, its pleasant, open manager who, it is said, will resign because of a mercenary attitude displayed by his team here.

### Tournament's Star

Yet, in the eyes of most neutrals here, France has been the most attractive side of the tournament's first round. Its midfield, hinged on the superlative touch play of Michel Platini and the strident, Dominican Bathenay, baffled Italy and Argentina with its persistent interpassing, its emphasis always on the offensive.

Behind that, Marius Tresor, the French captain, nevertheless has been the most dominating, positive leader we have seen. However, in each match, France missed the presence of an aggressive attacker to convert its superiority into goals.

Last night, it exposed Argentina's defense for long spells, yet went behind on the strike of half-time when Swiss referee Jean Duvach awarded a penalty for handball when the ball struck the right hand of Tresor as he fell to the ground after making a good tackle. Monte Fresco, an English photographer hardly noted for his reticence, screamed: "If that was a penalty it could be the next pope."

It demonstrated how the French had captured neutral hearts. But Argentine fullback Daniel Passarella demonstrated how to take a perfect penalty, hitting the ball with

ultimate ferocity and into the bargain sending the French goalkeeper the wrong way. France recovered, weaved patterns through a panicky Argentine defense, and scored a classical equalizer when Platini hit the rebound into the net with the Argentine defense devastated.

At this time, as at times against Italy, France looked unbeatable but, without forward strength, its effort wilted. Argentina produced a critical goalscorer of its own in Leopoldo Luque who, after 73 minutes, was allowed the time and room to turn and deliver a supreme goal from 25 yards which utterly deceived Dominique Barthelemy, who had come on as substitute goalkeeper when Jean-Paul Bertrand-Demanes injured the base of his spine making a save against a post.

### Italy Moves On

That, sadly, is the end of the French, no matter how they play against Hungary this weekend.

In the same group, Italy joins Argentina after eliminating Hungary, 3-1, a victory smooth and convincing, one which retained that in Paolo Rossi the Italians have discovered a 11th-hour scorer and attack-leader. Rossi, Roberto Bettiga and Romeo Benetti (a pleasant surprise in this World Cup, using his skills going forward more than his infamous ugly destructive flair) scored three times in the first hour



Brazilian player Oscar leaps over Cardenoso of Spain.

and, despite conceding a late penalty, Italy had no troubles with the disappointing Magyars.

Thus on Saturday, the Argentina-Italy match in Buenos Aires, one which conjured visions of blood and crowd troubles, becomes a tamer affair, one between two already qualified teams and one which may now become a strategic cease-fire, depending on whether it is important for either to win to secure a favorable second-round opponent. Because Italy and Argentina could yet contest the final, they will be giving little away.

Meanwhile, we also witnessed last night what could be the authentic beginnings of the African emergence in world soccer. Tunisia, having thrashed the poor Mexican team last week, shook Poland in a first half in which the Poles scored a late goal by winger Grzegorz Lato. But then, with the Argentine crowd urging on the Tunisians, the response was amazing: a display of quite sophisticated but certainly passionate African pressure which rocked the Poles, a team which increasingly looks as if it plays by

computer and had not been programmed for such audacity from Tunisia.

Ultimately, the qualities that spurred Tunisia — the adrenalin and drive — betrayed their finish. With Jan Tamaszewski beaten at least three times, the excitement of the occasion produced wild finishing and no goals — although Tamaszewski's bar was hit. Nevertheless, Tunisia, a team of African skills brought up on largely Yugoslav coaching, may well be heralding here the coming of the Africans — just about 25 years after top soccer experts began predicting it.

Finally, last night, the champion, West Germany recovered rhythm and power to down Mexico, 6-0, with goals coming from Hans and Dieter Muller and two each from the Heinz Flohe and Karl Rummel. It amounted to shooting practice for the Germans... but with what repercussions in Mexico? When, last weekend, Mexico was defeated 3-1 by Tunisia, the news back in Mexico city was received with such an overpowering sense of shame one man actually hanged himself.

# English Derby Won By Shirley Heights

By Samuel Abr

EPSOM, England, June 7 (IHT) — Accelerating in the last furlong and finding room along the rail, Shirley Heights won the English Derby here today by a head over Hawaiian Sound.

In what was regarded as the most wide-open derby in years, the winner, an English entry, went off fourth favorite at 8-1 in the mile-and-a-half race for 3-year-olds. After some late scratches, 25 colts ran, each carrying 126 pounds.

Hawaiian Sound, a U.S. entry carrying Willie Shoemaker in his first Epsom race, was 25-1. Third, a length and a half back, was Remainder Man, another English horse and a 40-1 choice. Fourth was Pyrama Hunt, a French entry, with Obraztsov, a U.S. entry, fifth.

The 6-1 favorite, Inkerman, ridden by Lester Piggott as he attempted to win his record ninth derby, finished 21st after a brief run at the leaders with a bit over a quarter mile to go.

Shirley Heights was not a surprising winner because he had experience and good past performance, two victories in three races this year and two victories in six races last year. But his trainer, John Dunlop, said he recently as last night that he feared firm footing would hurt his horse's chances in the derby.

On a chilly and cloudy day, the grass course was firm, but that seemed to trouble Shirley Heights not at all.

### Jockey Surprised

This surprised his jockey, Greville Starkey, who admitted that he had been worried more about the course than about the competitors. "I've been confident of the horse," Starkey said, "but didn't think he would like the hard going."

It was Starkey's first derby victory.

### Mariners Win, 4-3

## Martin Feuds, Yanks Lose

SEATTLE, June 7 (UPI) — The New York Yankees have dropped four games in a row and seven of their last eight. Billy Martin is feuding with his front office superiors, and the axe that eluded him during last year's stormy charge to the world championship is being sharpened once more.

Even before the Yankees dropped a 4-3 decision, their second straight to the Seattle Mariners, last night on a ninth-inning error by Willie Randolph, reports were circulating that Martin, who was fired at Minnesota, Detroit and Texas, might be sacked again.

A number of incidents, including Martin's biffs with catcher Thurman Munson and pitcher Andy Messersmith, have apparently aspersed Yankee president Al Rosen. "Look, Billy is Billy," said Rosen. "I can't say he won't be fired because you never know what he's going to do next. Right now, winning a pennant is bigger than Billy; me or anything. We're in a bad slump, but I'm confident we're going to come out of it."

After tying last night's game, 3-3, on Jim Spencer's seventh-inning homer, the Yankees lost in the ninth when Jim Bernhard led off with a double for Seattle.

At Cleveland, Francisco Barrios tossed a seven-hitter for his third straight victory and the ninth for Chicago in 10 games as the White Sox defeated Cleveland, 3-0. It was also the second straight shutout by Chicago over the Indians. Jorge Orta doubled home one run and Bob Molinaro singled in another.

Rangers 2, Royals 1

At Arlington, Texas, Ferguson Jenkins continued his comeback, outdueling Dennis Leonard with a four-hitter. Jenkins, 6-3, struck out eight and walked one as Texas beat Kansas City, 2-1. Bobby Bonds decided the game with a fifth-inning homer that snapped a 1-1 tie.

A's 7, Red Sox 1

At Oakland, rookie Taylor Duncan sparked Oakland to its fourth straight victory by driving in four runs with a double and his first major-league homer as the A's took a 7-1 decision from Boston. Six of Oakland's seven runs were unearned, the result of three errors by Boston third baseman Butch

Hobson and one by shortstop Rick Burleson.

Orioles 8, Angels 6

At Anaheim, Calif., Larry Harlow had three singles, stole three bases, and scored twice as Baltimore defeated California, 8-6, the Orioles' seventh straight victory. Eddie Murray and Pat Kelly each had two RBIs to pace Baltimore's 15-hit attack. Nolan Ryan, tagged for 12 hits in 5 1/2 innings, lost his third straight.

Phillies 7, Giants 6

In National League action, at San Francisco, Greg Luzinski's bases-loaded single with two out in the ninth gave Philadelphia a 7-6 victory over San Francisco. Trailing 6-4, entering the ninth, the Phillies leded the bases off Gary Lavelle when Jim Morrison walked, pinch-hitter Jerry Martin singled and Larry Bowa beat out an infield single to score one run. After a double steal, Mike Schmidt was walked and Luzinski followed with a single to center.

Cubs 9, Astros 4

At Chicago, Dave Kingman hit his seventh career grand slam home run during a five-run sixth inning to power Chicago over Houston, 9-4. Kingman's 11th homer sparked the Cubs to their 10th straight home victory and their 13th in 16 games.

Dodgers 8, Mets 2

At New York, Steve Garvey's two-run double triggered a four-run, fourth-inning rally that enabled Los Angeles to defeat New York, 8-2, and snap a five-game losing streak. Doug Rau, though touched for 11 hits, went the distance to boost his record to 6-2 for his first victory since May 9.

Pirates 4, Braves 2

At Pittsburgh, Dave Parker, returning to the lineup just three days after suffering a bone chip on the middle finger of his left hand, tripled home one run and scored two others to lead Pittsburgh over Atlanta, 4-2.

Cardinals 4, Reds 1

At St. Louis, Jimmy Denny's five-hitter and Jerry Morales' two-run single paced St. Louis over Cincinnati, 4-1. Denny allowed five singles in improving his record to 5-4.

## Vilas Survives Gildemeister Threat

PARIS, June 7 (AP) — Defending champion Guillermo Vilas survived a crafty challenge from Hans Gildemeister, 6-4, 2-6, 6-1, 3-6, 6-3, today to move into the semifinals of the \$400,000 French Open tennis tournament.

Dick Stockton also moved into the semifinals with a surprising 5-7, 6-3, 6-4, 6-4 triumph over Manuel Orantes.

Top-seeded Bjorn Borg, the favorite here to win his third French Open title, had a day's rest after ousting Roscoe Tanner yesterday.

In one of the most exciting, though not most arduous matches of the tournament, the unorthodox Gildemeister played a cat-and-mouse game against Vilas, using his two-handed forehands and backhands.

The powerful Stockton had trouble adjusting to the center court at Roland Garros stadium in the first set but recovered well to take the second set with strong serves and

aggressive net play. He stuck to the same tactics to grind down Orantes, who was not as sharp as in earlier matches.

Stockton and Eddie Dibbs are the only U.S. survivors of the first 10 days of the 14-day competition, where all men's matches are best-of-five sets.

Orantes, who pinched a nerve in his back last month, fell during the fourth set and clinched his back. But he said that he did not think that the match had aggravated the injury.

The soft-spoken Spaniard, a favorite on the pro tour, said that he would skip Wimbledon in favor of a rest.

In women's competition, Virginia Ruzici rallied to advance to the

semifinals with a 6-7, 6-4, 8-6, victory over Fiorella Bonicci.

In men's doubles, Raul Ramirez and Brian Gottfried beat Arthur Ashe and Fred McNeil to move into the semifinals.

Bjorn Borg and Argentina's Guillermo Vilas favored to advance toward a clash in the final on Sunday.

Borg, who celebrated his 22nd birthday yesterday with a 6-2, 6-4, 7-6 victory over Roscoe Tanner, has been playing splendid play court tennis here in quest of his third French Open title.

Defending champion Vilas did not play impressively in his opening matches in this 14-day competition, but came back aggressively on Monday to defeat Arthur Ashe.

Corrado Barazzutti had little

trouble beating Stanislas Birner, 6-1, 6-4, 6-1, yesterday, but he said that he does not feel content with his game and made a disappointed announcement: "I don't think I'm playing well. I'm not very confident. I'm very tired. I'm not going to Wimbledon. I'm going home to Rome to rest for two weeks after this is over."

In other matches yesterday, Ramirez downed Victor Pecci, 6-2, 6-7, 6-6, and Orantes and compatriot Jose Higueras beat Stockton and Erik van Dillen in the doubles quarterfinals, 6-0, 7-5.

In the women's quarterfinals yesterday, defending champion Mima Jausovec beat Kathy May, 6-4, 6-2, and Regina Marikova downed Helga Masthoff, 6-3, 6-3.

## Major League Standings

### Major League Leaders

TEAM	W	L	Pct.	GB
AL East	27	20	.574	—
AL West	27	21	.563	1 1/2
NL East	27	21	.563	—
NL West	27	21	.563	—

TEAM	W	L	Pct.	GB
AL East	27	20	.574	—
AL West	27	21	.563	1 1/2
NL East	27	21	.563	—
NL West	27	21	.563	—

TEAM	W	L	Pct.	GB
AL East	27	20	.574	—
AL West	27	21	.563	1 1/2
NL East	27	21	.563	—
NL West	27	21	.563	—

## Tuesday's Line Scores

TEAM	W	L	Pct.	GB
AL East	27	20	.574	—
AL West	27	21	.563	1 1/2
NL East	27	21	.563	—
NL West	27	21	.563	—

TEAM	W	L	Pct.	GB
AL East	27	20	.574	—
AL West	27	21	.563	1 1/2
NL East	27	21	.563	—
NL West	27	21	.563	—

## Drafted Pitcher Joins A's Lineup

NEW YORK, June 7 (UPI) — Charles Finley, owner of the Oakland A's, is not waiting long to see how his first pick in yesterday's draft can pitch.

"We think we can step right in there with us," Finley said, announcing his intention to have Mike Morgan, a right-handed pitcher from Valley High School in Las Vegas, Nev., start for the A's on Sunday. "We would not have drafted him if we didn't think we were getting the best."

"Don't forget we had good luck with two other pitchers who were high draft choices and never pitched in the minors," said Finley. "One was Catfish Hunter and the other was Lefty Krause."

Finley said that as a senior, Morgan fanned 111 in 72 innings, gave up 26 hits and had a 7-2 record and an ERA of 0.68.

The Atlanta Braves, whose park is a home run hitter's dream but whose lineup has been unable to supply the long ball, chose college baseball's all-time leading slugger to open the summer free-agent draft.

Bob Horner, an infielder from Arizona State who set NCAA single-season and career home run records this year, was the No. 1 choice.

Toronto, with the second pick, selected Lloyd Moseby, an 18-year-old left-handed hitting first baseman-outfielder from Oakland (Calif.) High School. After Oakland selected Morgan, right-handed pitcher Rod Boxberger of Southern California was taken by Houston. Boxberger was the first college pitcher taken and the 11th player overall. Detroit, picking 12th, chose outfielder Kirk Gibson of Michigan State, an outstanding football prospect who intends to play for the Spartan football team this fall.

In compensation for the loss of veteran free agent Ron Blomberg to the White Sox and Mike Torrez to the Boston Red Sox, the New York Yankees received two extra first-round selections. The Yankees picked shortstop Rex Hudler from Bullard High School, Fresno, Calif., and outfielder Matthew Winters of Williamsville (N.Y.) High School as their compensation choices. They closed out the first round by selecting right-handed pitcher Brian Ryder of Shrewsbury (Mass.) High School. The draft continued today.

NBA Final

TEAM	W	L	Pct.	GB
AL East	27	20	.574	—
AL West	27	21	.563	1 1/2
NL East	27	21	.563	—
NL West	27	21	.563	—

Transactions

TEAM	W	L	Pct.	GB
AL East	27	20	.574	—
AL West	27	21	.563	1 1/2
NL East	27	21	.563	—
NL West	27	21	.563	—

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## Art Buchwald

## The Guru Speaks

WASHINGTON — Whenever I get worried about the economy, I go up to the top of the mountain to see the Great Exalted Economist.

Last week I found him seated cross-legged in front of his cave in his Pierre Cardin robe reading the Wall Street Journal.

I placed a fresh sirloin steak at his feet and bowed.

"Oh, Master," I said, "please tell me what is going on with the economy in this country at the moment."

The Great One said, "We are going into a spiral inflation now which could lead us into double digits. The reason for this is that the economy is overheating, and there are too many dollars chasing too few goods."

"I thought you'd say that," I told the Exalted One. "What can we do about it?"

"We can do many things, but it

has to get worse before it gets better."

"That's bad," I said. "That's why I'm an economist. When you live with a high unemployment rate and a low productivity record, and the gross national product in real dollars does not increase, you are faced with a stagnant economy which makes every one fearful and causes price hikes which lead to unrealistic wage demands."

"Of course," I said. "But surely there are other reasons for coffee costing \$3.15 a pound."

"There are many reasons for that, not the least of which is that we are drinking more coffee from Brazil than we are selling coffee cups to the Brazilians. The American dollar is under attack and the weather has been lousy in Sao Paulo. That is why interest rates have gone up in Chicago."

"I feel like a rock has been lifted off my shoulders," I told him. "Tell me, Master, why does a shirt that cost me \$7 two years ago now cost \$11?"

"Government spending and OPEC must take equal blame for the rise in the cost of your shirt. While one is trying to take the shirt off your back, the other is squeezing you dry. Government drives the inflation engine, which is fueled by the oil we must import to pull the weight of our \$60-billion deficit. At the moment the engine is going full steam while the average citizen is hanging on for dear life in the cahouse."

"Blessed Guru, what is the answer?"

"The only solution is to bite the bullet."

"I like your solution. It seems much simpler than the others," I told him.

"But while biting the bullet, we should not throw out the baby with the bath water."

"Right," I said, trying to remember it all.

"We must hold our hand firmly on the rudder until the storm blows over, keeping all options open even if it means tightening our belts."

"I knew you would have the answer, Exalted One," I said with tears in my eyes.

He turned to go into his cave to broil his steak. The last words he said to me were, "Then again, I could be wrong."



Buchwald

## Venice Opera Superintendent Quits in Scandal

VENICE, June 7 (AP) — Gian Mario Vianello, superintendent of Venice's La Fenice opera house, has resigned amid a scandal involving allegations of fraud and kickbacks in Italy's opera world.

Also resigning was the theater's administrative council, headed by Venice Mayor Mario Rigo, a council statement said yesterday.

It said the resignations were to protest a "failure" by the government to provide proper rules for the operation of the country's opera theaters.

Thirty-four persons were arrested last week and charged with extortion and fraud following a two-year investigation of methods used to employ Italian and foreign singers.

The probe was ordered after a group of singers complained that opera houses were hiring performers through private theatrical agencies, a practice banned under a 1967 law covering theaters that receive state subsidies.

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... so Archibald kissed her again and gently put her head on the pillow. She gazed at him with half-shut eyes — trembling hard — don't forget to buy next week's installment at yer newsstand."



A look at the work of Bill Mauldin. At left, Willie and Joe in 1945. At right, an encounter in Santa Fe, N.M., in 1978.

## A Rare Reunion With Willie and Joe

By Bill Mauldin

SANTA FE, N.M. — Every 10 years or so, traveling about the country, I run into Willie and/or Joe, the ex-dog faces with whom I soldiered for a while during World War II in Europe.

Last week, I found them together — a rare event, since at war's end they couldn't wait to see the last of each other. They've even avoided joining veterans' organizations for fear of finding themselves belted up to the same bar.

"It was nothing but bicker, bicker all those years in mud-holes together," said Willie.

"Little quirks get pretty gross when you spend weeks on end sharing a raincoat and a busted shovel," Joe agreed. "I guess the reason one of us didn't brain the other is that we worked together pretty good, knew what to expect of each other in a bad scene, and were each other's insurance policy, so to speak."

"One thing I'll say for Joe," Willie declared. "He never made me nervous trying to stir up

trouble. He'd leave a sleeping Kraut lie."

"German," Joe corrected. "I asked the pair how they felt, almost 40 years later, about their service in the crusade against Hitler."

## \$21 per Month

"Is that what it was?" asked Willie. "We were in the National Guard for meals, clothes, and a couple of bucks for Saturday drilling in the army. Next thing we knew, the division was mobilized and we were full-time mercenaries at \$21 per month."

Any opinions about the modern volunteer Army vs. a return of the draft?

"Why drag 'em in crying?" asked Joe. "The way it is, if a man beefs you can always say, 'For a handful of nickels you got yourself into this. Willie and I made it through our war telling each other that.'"

I asked for thoughts about the war in Vietnam, controversy over amnesty for evaders, and our present and potential involvements overseas.

"If I could figure out why we

sent anybody to Vietnam in the first place, I could tell you what I think of it," Willie said.

"Stuck signal," muttered Joe. "Hub?"

There was this MP lieutenant waving heavy traffic to the docks — tanks, trucks full of soldiers, artillery, everything — and his arm got a cramp," Joe explained.

"So they just kept pouring stuff over there. You know how hard it is to get the Army off its butt, or to stop it once it starts doing something."

"As for amnesty," Willie put in, "it looks like a lot of kids were smarter than their elders. How can anybody expect us to forgive them for outsmarting us?"

## Africa Question

Should we consider intervening in Africa where Russian-backed Cubans are already involved?

"Russians are pretty good at getting other people to do their dirty work," said Joe. "Maybe we need a stand-in army ourselves."

"We hired one for a while in

Vietnam," Willie said. "It didn't work out so good."

"Want to get the Cubans out of Africa?" Joe asked. "Send a bunch of more combat troops to that base we got down there — Guano, or Gerónimo."

"I didn't say invade Cuba, mind you — I just said crowd 'em a little. Castro would switch like a goat full of razor blades and start hauling his bodyguards home."

"Before I'll go along with sending any American soldiers anywhere for any reason," Willie announced, "they have to promise the kids that when they come back, win or lose, they get lots of free beer and nobody throws rocks at them."

The aging pair wandered off, each in his own direction.

Bill Mauldin, who rose "painfully" to sergeant in five Army years (1940-45), drew the panel cartoon "Up Front" for the Army newspaper Stars and Stripes. He is now a syndicated editorial cartoonist and columnist whose home is The Chicago Sun-Times.

## PEOPLE: Getty Companion Settles for \$150,000

A woman who lived with the late billionaire J. Paul Getty in England will receive \$150,000 from the Getty estate for herself and her two children.

The lump-sum settlement for Rosabella Burch, 45, and her two children, Jean Paul Bernard Gilbert, 12, and Caroline Gilbert, 9, was approved by Los Angeles Superior Court Judge Jack Swink.

Mrs. Burch, a Nicaraguan widow who was Getty's companion for the last 15 years of his life, had sought \$500,000 plus \$1,000 a month for the rest of her life in a claim made in November, 1976.

She lives in England, where she moved from Los Angeles with Getty in September, 1968. The woman said that Getty had promised to support her for the rest of her life and to pay for her children's education. Bill Bell, administrator of the estate on behalf of Title Insurance Co., said that the agreement settled all claims to compensation from the estate that Mrs. Burch might claim, including one based on the assertion that Getty had a duty to support her children.

Under Getty's will, the Los Angeles insurance firm and two of Getty's sons, Gordon Peter Getty and Jean Ronald Getty, were named executors of the estate.

Now it's Dr. M. Amin, conqueror of the British Empire. That's the way Amin's ambassador to the United Nations described the ruler of Uganda at the UN special session on disarmament. Amin couldn't make it to New York for the gathering, but Ambassador Khalid Younis Kineane prefaced his address to the General Assembly by conveying "the regards of his excellency Dr. Idi Amin, conqueror of the British Empire." He then listed a number of Amin's awards and decorations. Kineane said that Amin hopes that "this year should be a year of love, peace and reconciliation."

In San Diego, a Superior Court judge has ordered a lesbian "husband" to pay \$100 a month support to her "wife." Judge Byron Lindsey ordered Denise Conley, 21, to pay support to Sherry (Dimples) Richardson, 23, under the terms of an agreement they signed this year before their marriage Feb. 17 at the Metropolitan Community Church. He said the agreement called for Miss Richardson to perform "all the duties of a housewife" and Miss Conley to support her. The divorce petition was filed with the court by Miss Richardson, who

said she quit her job in New York to marry Miss Conley.

The widow of the founding president of Nationalist China lives on a 36-acre estate in Lantingtown, N.Y., a Long Island community, leaving it only to visit her doctors.

Madame Chiang Kai-shek refuses to be interviewed, and a spokesman for the government on Taiwan said she "is not seeing anyone right now."

Interviews with neighbors and others in the community paint a picture of a seriously ill, elderly woman who lives "the life of a recluse." She is almost 80. One area resident said she was an invalid, but this could not be confirmed. State Department sources say security is a primary concern for Madame Chiang. County police say they give the estate extra protection, and State Department sources say FBI agents accompany Madame Chiang to and from visits to doctors.

For the 12th consecutive year, country music queen Loretta Lynn was named the top female artist of the year, beating among others, her sister Crystal Gayle in the annual Music City News Popularity Awards at the Grand Ole Opry House in Nashville. Miss Lynn and Conway Twitty teamed up to capture the top duet honors. Morris Young and the Judds took home two top honors — male artist and songwriter of the year. His band, Larry Gatlin, Family and Friends, was named musical group of the year.

At 7:36 a.m. Tuesday, at 7:37, at 7:38 and at 7:39, Sharon Prussing gave birth to babies. The two girls and two boys were delivered by Caesarian section at New York Hospital-Cornell Medical Center, and the babies were said to be in good condition. "I'm just relieved that it's all over with and she'll come home to the other kids," said the "quadruplet" father, George Prussing. "My wife had been in the hospital for 12 weeks. The doctors wanted to make sure she had the best of care." Prussing, a computer executive who lives with his 28-year-old wife and their other two children in Alpine, N.J., said they learned on Valentine's Day that Mrs. Prussing, who had taken fertility pills, expected four children. He said the boys would be named Ross and Jarett and the girls Alexis and Brooke.

—SAMUEL JUSTICE

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INTERNATIONAL  
**Herald Tribune**

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# Focus on Venezuela—1978

## Electing a President Freely for the Sixth Time

By Joseph Mann

CARACAS (IHT)—The overwhelming issue in Venezuela today is politics. Whether the average Venezuelan really cares or not, he is finding out that the 1978 presidential campaign is everywhere.

Newspapers, magazines, television and movie theaters bombard the public with images of concerned candidates trekking through endless slum cities covering the capital's hillsides, or of angry candidates telling mass rallies how they will solve the country's problems or of sweating candidates jovially shaking hands with peasants in forgotten rural villages. If a citizen somehow has managed to elude all this, he is certain to encounter a spirited neighborhood rally, auto caravans honking and blasting their messages over loudspeakers, a tree or lightpost wearing a campaign poster or a wall converted to a blackboard for political slogans.

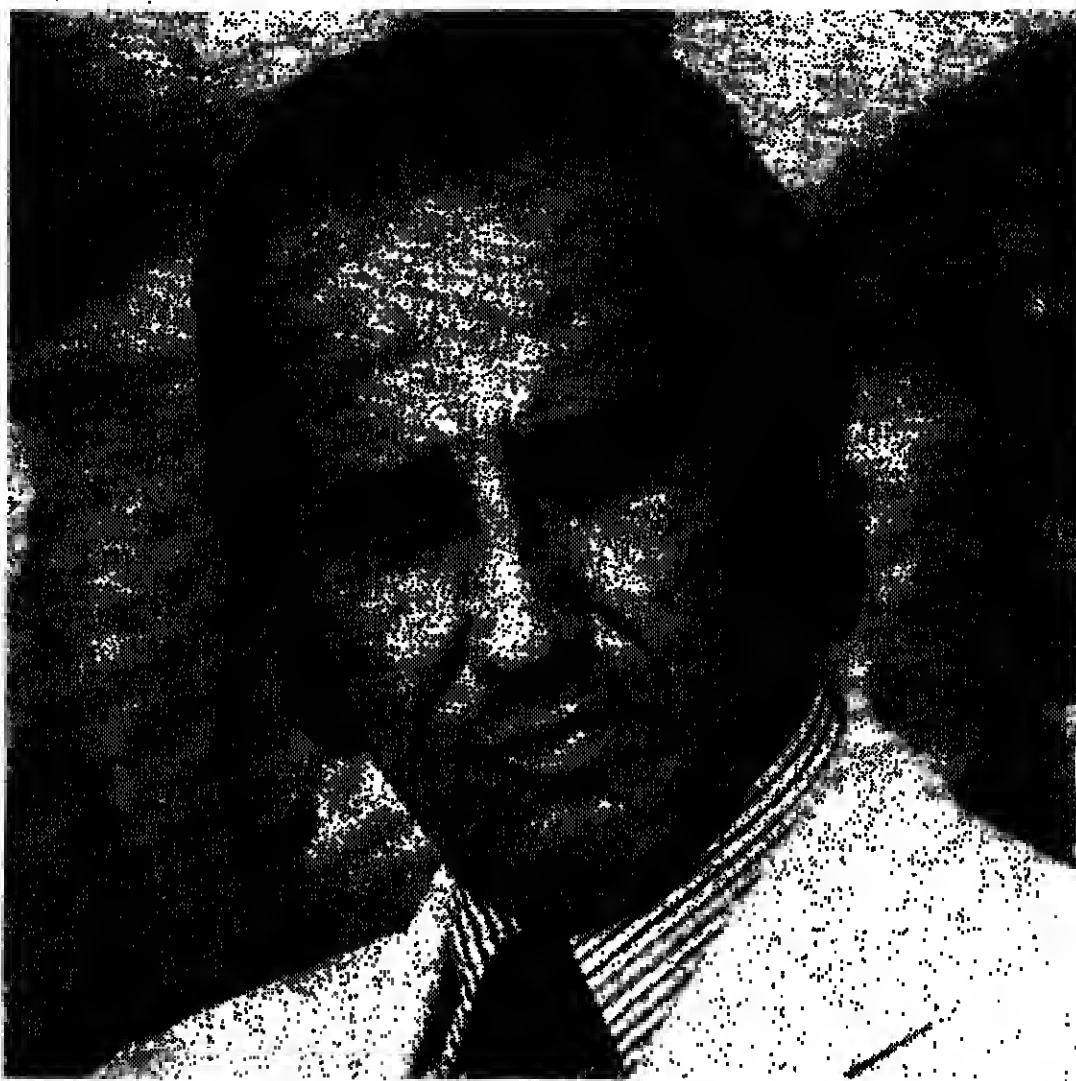
This riot of speeches, verbal attacks, promises, meetings and trips to nearly every corner of the nation populated by voters will reach its climax later this year when several million Venezuelans go to the polls to choose a new president, more than 200 members of the Senate and Chamber of Deputies, plus state and local representatives. Under current legislation, all of these officials will be elected in early December and will start five-year terms next March.

### Free Elections

The Venezuelan campaign should not be sniffed at as yet another example of wild and probably corrupt tropical politics. On the contrary, Venezuelan democracy—despite its flaws—is a rare and open exercise in free elections. This noisy, rough, costly and enthusiastic campaign represents part of a recurring effort to demonstrate that not all Latin Americans need dictators to manage their affairs. However, this has not always been the case in Venezuela.

By chance, this electoral year marks the 20th anniversary of the overthrow of Venezuela's last dictator, Gen. Marcos Perez Jimenez. December's voting will be the sixth time that Venezuelans have had an opportunity to choose a president.

In 1947, the nation's first general elections were held and novelist Romulo Gallegos, representing the Democratic Action party, won the presidency. The Gallegos administration, however, was toppled the following year by a military coup, one of whose leaders was Gen. Perez Jimenez. After sharing power



President Carlos Andres Perez.

with fellow officers for two years, Gen. Perez Jimenez assumed full control of the government and initiated an eight-year autocratic regime that ranks as one of the cruelest and most corrupt in modern Latin American history.

The government of Gen. Perez Jimenez, whose principal claim to fame was an extensive system of public works, was ousted by a military revolt in January 1958. A ruling junta composed of civilians and military men took over temporarily, then called elections in which Romulo Betancourt of the Democratic Action party (AD) was chosen president.

Under the current government, headed by President Carlos Andres Perez Rodriguez, it has been clear that the Venezuelan military is in-

tent on supporting civilian regimes. Far from presenting a threat to the current system, Venezuela's armed forces are working to ensure that this year's elections are carried out smoothly and efficiently.

In the current campaign, the nine presidential hopefuls who have declared themselves thus far are vying to head one of the most prosperous and dynamic nations in Latin America. Since the Organization of Petroleum Exporting Countries (OPEC) increased oil prices fourfold in 1973, the Venezuelan government, which obtains most of its income from taxes on petroleum exports, has garnered tens of billions of bolivars in new resources.

The two most powerful political groups in Venezuela for the past

two decades have been the Democratic Action party, which won the presidency in 1958, 1963 and 1973, and the Social Christian party (Copei), which captured the presidential palace in 1967 but failed to win a majority in Congress. (Although any president in Venezuela wields tremendous power, a majority opposition in the national legislature can effectively limit his action.)

AD's candidate this year for the chief executive's job is Deputy Luis Pinerua Ordaz, a member of the Lower House of Congress, secretary general of his party and lifetime party worker. Mr. Pinerua has served as acting president, minister of the interior, head of the National Agrarian Institute (IAN) and governor of Monagas state. Born in

eastern Venezuela in 1925, the AD standard-bearer has been attacked by critics as being a dour and dull product of the party machinery. Thus far during the campaign, however, Mr. Pinerua has stressed that he will choose the most qualified individuals to serve in his government, regardless of party affiliation.

Representing Copei is a long-time party member, Sen. Luis Herrera Campins, also born in 1925. Mr. Herrera's enemies charge that he lacks high-level government experience, which is correct, and is therefore not prepared to assume the presidency. Sen. Herrera, who has lived in France and Italy and has worked extensively with Social Christian parties overseas, discards this allegation. For several months last year he was leading the AD candidate in national polls. Recent polls, however, have given Mr. Pinerua an advantage over the Copei contender. But with six months to go before voting time, there is still plenty of space for each candidate to carve out a more substantial position.

### The Unaffiliated

In terms of party organization, AD holds the advantage with a registered active membership of about 1.3 million members and an efficient national party network. Copei's active membership is estimated to be between 600,000 and 800,000 and the party is working hard to revamp its national system. However, most of the six million Venezuelans eligible to vote this year consider themselves independents, many of them youths voting for the first time. An effective appeal to this large group of unaffiliated electors could swing the results in either direction.

Both candidates have been traveling widely around the country and working long hours on the campaign trail. Although neither of the two "established" parties has as yet presented a formal platform, both contenders have outlined their proposed government programs on many occasions.

Mr. Pinerua, although previously critical of the current president's efforts in some areas, pledges a continuation of the present Democratic Action government plans, with particular emphasis on resolving domestic problems such as crime, shortages of water and housing, agricultural insufficiencies and on mounting a crackdown on corruption in government.

Sen. Herrera, who also offers voters a comprehensive plan of

public works, has fiercely attacked the present AD regime for spending more money than any government in history, while failing to resolve major national problems. He has cited the almost monthly "crises" afflicting the administration of President Perez, such as severe water shortages in the capital and other large cities, power shortages, a lack of foods like milk, eggs, meat, chicken and coffee, higher prices and the chronic insufficiencies of other public services.

### Problems

The AD campaign has received an important boost from President Perez, who recently initiated a major public program calling attention to the achievements of his administration. Mr. Perez took office in 1974, just in time to reap the benefits of the petroleum bonanza. Although incumbent chief executives are expected to remain outside ongoing political frays, it is clear that the Perez administration's publicity blitz will not hurt AD's chances in December. Responding to charges of foul play from the opposition, Mr. Perez maintains that he will not take part in the campaign but will continue to do his job as president.

In spite of the great financial advantages enjoyed by the Perez administration, the government has indeed been plagued by problems resulting from its own enormous judgments and inefficiencies as well as from the difficulties presented by a massive surge in national demand for goods and services that began in 1974 and that could not be met by domestic productive capacity. Even unprecedented official spending could not fill all the gaps.

As many critics note, the president's admirable taste for hard work has produced relatively meager results. The problem, they say, is that Mr. Perez is too much of an authoritarian, too convinced that he can and should attend to all matters by himself. One former Cabinet minister said privately, "I think his biggest failure is his inability to develop good managers at the Cabinet level, ministers who can make sure that things get done. No matter how smart or energetic the president is, he simply can't do everything by himself. He must learn to delegate authority."

Nonetheless, Mr. Perez's place in history is assured as a result of his government's successful nationalization of the \$5-billion foreign-owned petroleum industry, and his

(Continued on Page 9)

### Economy

## State on Spending Spree For Development Plan

CARACAS (IHT)—Venezuela, which became rich practically overnight when oil prices rose spectacularly in 1973, has been spending its money nearly as rapidly as it has gone into debt. The country has not, however, necessarily squandered its wealth.

On the whole, Venezuela has been spending its money in a responsible fashion and has gone into debt for sound business reasons. Early, the country has encouraged—and will continue to encourage—serious problems in efficiently administering its abundant resources. But despite, pitfalls, some delays, waste and flaws in government's economic program, Venezuela is unmistakably living ahead.

The administration of President Carlos Andres Perez, sworn in at the start of 1974, inherited the bonanza produced by the decision made a few months earlier by the Organization of Petroleum Exporting Countries (OPEC) to raise oil prices. Even though Mr. Perez and his advisers ordered cutbacks in the oil production their first year in office, they saw the government's petroleum revenues more than double. The central government got that first year rose to 42.5 percent of the previous year's 14.8 percent.

In the 1974-77 period, the Perez administration spent over 177 billion bolivars, far more than total spending by all Venezuelan governments since 1963-73. Like other OPEC members, Venezuela decided to spend heavily on social services and a major industrialization program; unlike some of its oil-producing partners, though, the country did not make colossal outlays in arms.

The Perez administration's spending scheme is guided by the National Plan for Social and Economic Development, a bulky document published in 1976 calling for government investments of 8 billion bolivars between 1976 and 1980.

The fifth plan contemplates massive amounts of government outlays in following areas: industry (steel, aluminum, electric power); transportation (the national railway system, the Caracas metro, highways, passenger jets, ships); a broad range of public works; agriculture and unprecedented allotments for education, health, social welfare and foreign

ly, some money did trickle down to low-income groups. (In addition the poor are partially sheltered from inflation by government price controls over a wide spectrum of popular goods and basic services.)

### Boom

The economy boomed, with commerce, industry and construction leading the way. Wealth is apparent nearly everywhere in Venezuelan cities. Automobile dealers sell fleets of fancy U.S. cars assembled here that cost as much as 75,000 bolivars, while importers—until recently—thought nothing of bringing in the most expensive U.S. and European cars, with customers paying a 35-percent ad-valorem tax.

Shopping centers offer a dazzling variety of luxury imports at prices that would stun U.S. or European shoppers; the best apartments sell at around 1 million bolivars; magazines and newspapers are stuffed with advertisements for every imaginable kind of consumer and luxury item; Venezuelan tourists travel overseas in hordes, earning reputations as the big spenders of Latin America; real estate companies in Florida do a booming business selling Venezuelans second homes.

### Affluence

Even in the thousands of ranches—or shun houses—that cover parts of this modern city, a degree of affluence is visible. Some of the neighborhoods, particularly the newer ones, are indeed studies in misery. But older rancho areas, where families have lived in the same houses for years, are middle class neighborhoods where homes often sport rugs, radios, televisions, refrigerators and other appliances.

The country's gross domestic product (at current prices) grew by 53.6 percent in 1974, thanks to the increases in oil prices and petroleum receipts: GDP between 1972-76 increased by 119.6 percent. Last year, GDP growth was reported by the State Planning Ministry to have been 8.4 percent, up from 7.7 percent in 1976. (These and other

(Continued on Page 2)

## Nationalization of Oil Sector Has Been a Resounding Success

### Under Way

The plan is now well under way and will have an impact on the national economy far beyond 1980. It initially aims at reducing the country's lopsided dependence on oil income (which has traditionally provided the government with the bulk of its revenue), blurring a solid industrial and cultural base, creating tens of thousands of new jobs and reducing private sector expenditures given priority by the government. Though the private sector's role is crucial in ensuring the plan's success, it is plain that state is now, more than ever, dominant economic force in Venezuela.

When the Perez administration nationalized the country's giant oil industry in 1976, it gained control of the most important national industry and assumed the responsibility for managing a major share of the gross domestic product. Here government is not only a regulatory agency, but also owner of industries (petroleum, steel, electric power), provider of many essential services, investor of the order and chief source of funds for the private sector.

During the last four years the state in official spending, the large numbers of new workers and an obligatory wage increase for all income employees combined to create tremendous growth in demand for all types of goods and services. While much of the petroleum revenues spent by the government accumulated in the hands of rich merchants and industrialists, making up Venezuela's oligopo-

CARACAS (IHT)—Venezuela's petroleum industry—under full government control for over two years—continues to function as the most efficient, profitable and significant sector of the national economy.

Last year the nation produced 816.1 million barrels of crude oil, an average of 2.24 million barrels per day (bpd), and exported crude and refined products totaling 736.9 million barrels, or a daily average of 2.02 million barrels. These figures are down slightly from levels registered in 1976, and are far below the output and sales of big Middle East producers like Saudi Arabia and Iran, but they nonetheless rank Venezuela as one of the world's major oil exporters and the largest in Latin America.

This year crude production has averaged 1.9 million bpd, off 14 percent from the government's goal of 2.2 million bpd. If this trend continues, the government will have to cope with a substantial drop in its revenues—most of which come from petroleum exports. However, government spokesmen are confident that demand will recover and that the industry will be able to reach a point near its production target by the end of the year. In any case, the Cabinet has already ordered spending cuts totaling more than 2 billion bolivars (\$465 million) in the government budget, which is now 52.6 billion bolivars.

Most of Venezuela's petroleum exports have traditionally been sold to the United States, and this situation has remained unchanged since nationalization. The East Coast of the United States purchases the lion's share of Venezuelan oil in the form of crude or residual fuel oil.

Government figures show that 34 percent of total Venezuelan oil sold abroad goes directly to U.S. markets, while 11 percent is shipped to Canada and 34 percent to the Caribbean. (Most of the oil sold in the Caribbean goes to Exxon and Shell refineries in the Dutch Antilles where it is processed and re-exported to American customers.) Central and South America buy about 8 percent of the country's petroleum exports while 11 percent is sold in Europe.

### Total Income

The state holding company responsible for running Venezuela's nationalized oil industry—Petroleos de Venezuela—reported that total income last year in the oil sector amounted to 41.3 billion bolivars, with 39.5 billion bolivars derived from export sales. The state oil monopoly paid the treasury over 26 billion bolivars in taxes and royalties last year and reported net income of approximately 3 billion bolivars for itself. These results were considered satisfactory by in-

dustrial executives and roughly matched the holding company's performance in 1976, the first year it managed the nationalized oil complex.

Petroleos de Venezuela was formed by the government in 1975 in order to direct and coordinate activities of the separate firms that came under its control on Jan. 1, 1976. In 1976, Fortune magazine placed Petroleos de Venezuela in 11th place among the 500 largest industrial corporations outside the United States. With sales totaling more than \$18 billion in 1976-77 and assets of nearly \$5 billion, Petroleos is ranked No. 24 in Fortune's list of the 50 largest industrial companies worldwide.

Petroleos de Venezuela currently oversees activities of the 14 operating companies that existed at the time of nationalization. (More than 14 foreign oil companies were taken over in 1976, but only 14 were actually producing oil, the rest having various investments in the country.)

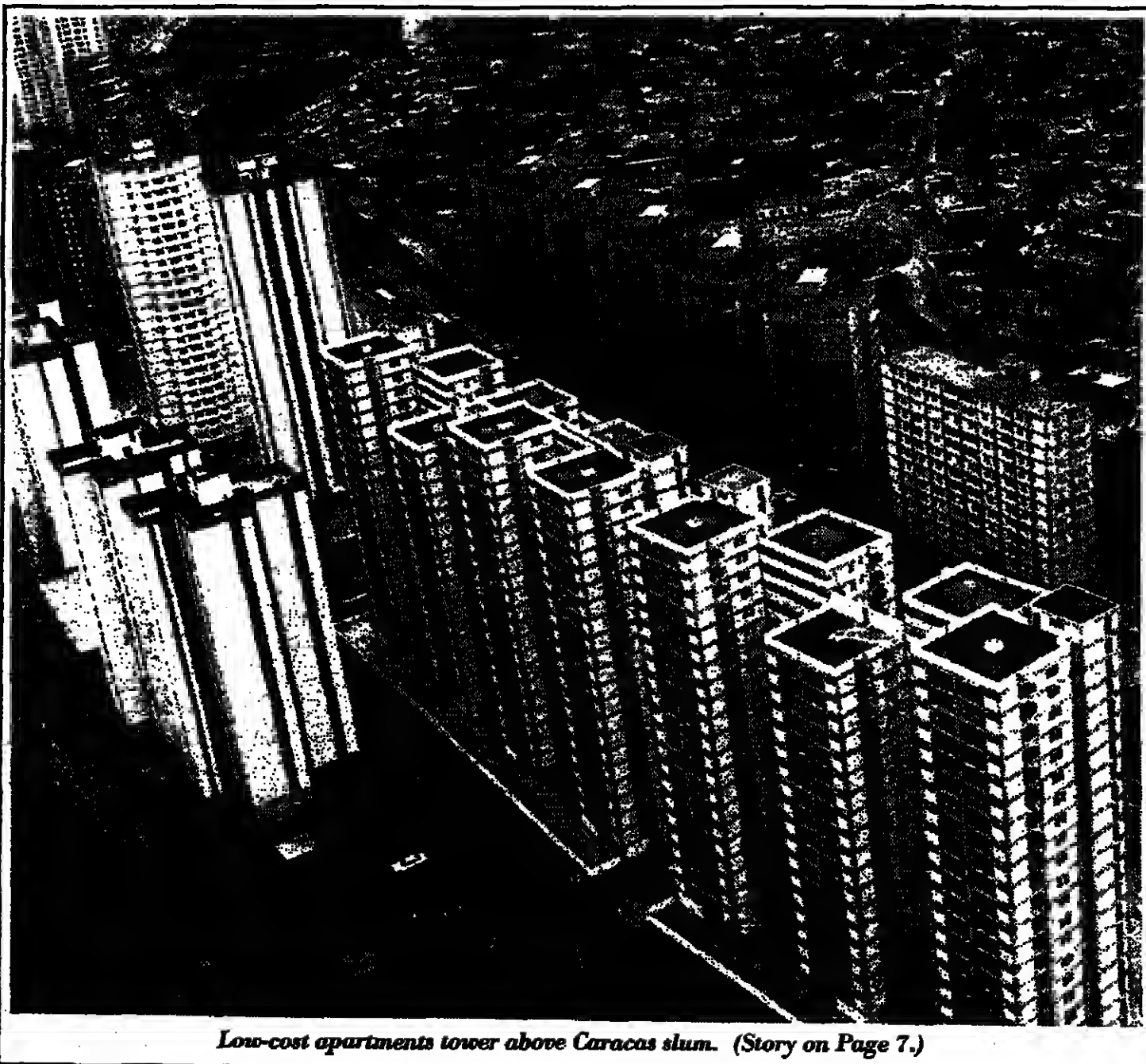
The state oil monopoly is moving ahead, however, with plans to consolidate existing companies into four large units, which will offer a more efficient industry structure. The four major affiliates of Petroleos, according to sources in the industry, will be Lagoven (formerly the Exxon subsidiary here, known as Creole Petroleum); Maraven (formerly Shell de Venezuela); Meneven (formerly Gulf, in association with other U.S. firms) and CVP/Llanoven, a combination of the old government oil company CVP (Corporacion Venezolana del

### This Section

This special report was prepared and written by Joseph Mann with Keith Grant and Monte K. Hayes.

The current value of the bolivar is 4.3 to the dollar.

(Continued on Page 8)



Low-cost apartments tower above Caracas slum. (Story on Page 7.)



# Strict Government Policies Keep Foreign Investment Low. . .

CARACAS (IHT)—Foreign investment in Venezuela, which entered the country at an estimated rate of \$100-\$200 million per year in the late 1960s and early 1970s, has shown a considerable slump since 1974. Private sector estimates show capital influx over the past four years at an average of \$50 million per annum.

Although hosts of potential new investors have been attracted by the country's rapid economic growth since oil prices rose in 1974, enthusiasm has cooled rapidly on exposure to the government's strict policies regulating foreign capital. Even foreign investors already working in the country have often been reluctant—or unable—to put new money into their enterprises.

Upon taking office in 1974, President Carlos Andrés Pérez's administration assumed a serious attitude toward regulations on foreign capital drawn up by the Andean Common Market, a regional integration association made up of Bolivia, Colombia, Ecuador, Peru and Venezuela. Under terms of the Andean Pact's Decision 24, restrictions are placed on foreign investment, private borrowing from abroad, and technology transfers. All new foreign investment must be approved by the government (in this case the Superintendency of Foreign Investment—SIEEX), and foreign capital outlays are either banned in certain economic areas or restricted to minority holdings.

## Cooperation Basis

In a speech in 1975, President Pérez made the following comment: "Foreign investors who wish to continue profiting from our economy will have to operate on the basis of cooperation, understanding and accepting the rules of the game formulated; sharing the burdens and fulfilling the requirements of national development." The Pérez government's attitude was not xenophobic, nor was it overtly opposed to new investment. On the contrary, Venezuelan leaders realized that they needed a constant flow of new foreign technology to complement their own internal development. But the president and his advisors believed that foreign capital had caused distortions in underdeveloped economies in the past, due to the fact that it was generally unregulated and often did not conform to developmental priorities set by governments in the

countries where investments were made. At the same time, the Pérez administration saw the Andean Common Market's code on foreign investment as a convenient vehicle for setting guidelines in Venezuela and furthering the cause of regional economic integration.

It should not be forgotten, however, that the newly installed Pérez government, feeling flush because of its unprecedented influx of petroleum riches in 1974, also felt that foreign investment simply was not needed as much as before, now that the Venezuelan state had ac-

cess in seemingly limitless amounts of money from its petroleum exports. "The theory seems to have been," one foreign businessman said, "that the government could squeeze foreign investors as never before, getting them to toe the official line whether they liked it or not. After all, a lot of foreign businessmen were drooling to get a piece of the action after the oil bonanza began, and the Venezuelans knew they could afford to wait."

These elements, combined with the seemingly endless red tape and mountains of regulations produced

by SIEEX, created an atmosphere that kept away a large number of non-Venezuelans who otherwise might have invested here, thus satisfying domestic market needs, creating new jobs and aiding the country's currently ailing balance of payments.

John Pate, a U.S. citizen who serves as a consultant to foreign investors in the Venezuelan capital, commented: "The country has lost not considerably by discouraging foreign investment. Given the country's excellent economic circumstances over the last four years,

Venezuela has probably lost around \$200 to \$500 million a year in new investment, plus there has been no new inflow of technology."

"Comparing our performance [in attracting new investors] to economies of countries like Chile and Argentina," he added, "you can see the country has lost abundant sums of capital and technology."

## Nationalizations

Visitors often question the government's nationalization of foreign oil companies and iron-ore mining companies here in 1975 and

1976, asking whether these takeovers signify a basic negative attitude toward foreign investors. The questions of oil and iron ore are another matter, however. The government, after deciding it would assume control over these basic industries to ensure its own future development, held lengthy negotiations with the affected companies and paid indemnities totaling about \$1.14 billion to the concerns involved. In both cases, the takeovers were carried out in a businesslike manner (even though the nationalized firms were obviously

not delighted by the move), and the parent companies continued to provide Venezuelans with technical assistance after the transitions.

One incident last year, however, did leave a bitter taste in the mouths of many foreigners. Following the kidnapping of the manager of Owens-Illinois de Venezuela, a U.S. glass manufacturing firm, the government expropriated Owens' assets here. The move was prompted by the U.S. firm's efforts to negotiate with Venezuelan terrorists holding a U.S. citizen, William Nelhaus. Administration offi-

cials stated that government policy forbade negotiating with extremists in cases such as this and moved to take over the company.

In terms of foreign investment policy, the Pérez government maintains that it is eager to permit new capital to enter the country, as long as investment regulations are followed. (Ironically, other members of the Andean Pact have been considerably less stringent in enforcing these rules.) In fact, the government has shown signs of easing its requirements. Over the past year or so, SIEEX has raised the limit on profit remission from 14 to 20 percent, lifted the ceiling on reinvestment from 5 to 7 percent, eased some credit facilities and opened new areas to foreign participation.

## Increase

Last year, SIEEX's authorizations for new foreign investments totaled \$216.5 million, a significant increase from \$50.8 million in 1976 and \$40.9 million the year before.

Switzerland took the largest bite of this total with 52.6 percent (Alusuisse will build an alumina plant in the Guayana industrial region), while the Spanish came in second with 27 percent (Spanish firms won contracts for building shipyards and a plant for diesel engines and heavy trucks).

The United States, which accounts for 56 percent of all foreign investment here, only took 10.6 percent of last year's figure.

With around 2,000 foreign firms and investors (some of whom are individuals with small holdings), and with registered foreign investment estimated by the government to be at \$1.5 billion, Venezuela still ranks as an important target for foreign capital. Before current or future investors increase their stakes in the country, however, they want to see investment regulations relaxed, simplified and made consistent. "The Venezuelans have watched a lot of foreign money go to other parts of Latin America recently, and up to now it hasn't mattered to the government all that much," one U.S. executive said. "In their early years they had more money than they could spend. Now things are getting tight, and the next government will be facing a totally different panorama; I think most of us are just waiting it out, hoping that the next administration takes a less rigid attitude."

—J.M.

# . . . While Putting a Liquidity Squeeze on Banks

By Keith Grant

CARACAS (IHT)—Venezuela's generally thriving banking and financial system has in the last year or so unexpectedly found itself face to face with a government determined to redirect credit towards socially desirable projects.

A sky-is-the-limit attitude prevailed following the oil price hikes, which enabled outstanding bank credits to jump from 13.2 billion bolivars (\$3.07 billion) at the end of 1973 to 47 billion bolivars by February 1978. But the bank's liquidity has been a two-sided coin: Although more money has been made available for industry and agriculture, it has helped fuel chronic real estate inflation and a huge consumer spending spree.

The government first took steps to curb money supply growth, and thereby inflation, with an economic package in April 1976. Legal reserve requirements on banks were raised to 50 percent on official deposits; and, at the same time, credit granted by the 13 mortgage banks (*bancas hipotecarias*) and 30 finance companies (*sociedades financieras*) was redirected so as to encourage more lower and middle-income housing.

The 12 months following proved that the dose of austerity had not been enough since money supply once more began to take off and real estate values in Caracas were some 300 percent above those of only three or four years previously. President Carlos Andrés Pérez took action by announcing last July a much more severe austerity package, slapping an extra 25 percent

on legal reserve requirements, imposing a reserve for *financieras* on foreign currency demand and time deposits of between 35 and 42 percent, and intensifying its regulations on bank credit for cheaper housing.

There followed a war of nerves when the private sector, almost unanimously complained of bank credit drying up because of the liquidity squeeze, and whistles of recession and capital flight began to be heard. The powerful business organization *Fedecamaras* and its members in the Venezuelan Banking Association, defended their interests convincingly by pointing out that much of the private sector's shortage of cash was due to tardy government payments on official projects.

At first refusing to contemplate changing the measures, the government finally gave in and in October began offering generous discount facilities to banks short of cash. Subsequently the deadline for complying with the new 75-percent reserve requirement was postponed from December to February.

## Measures Relaxed

The government said it was relaxing the measures because they had had the desired effect, and certainly monetary liquidity was held at 38 billion bolivars for four months and inflation was checked. Nonetheless, the banks remain unhappy this year over liquidity levels and once again the central bank has expanded discount facilities and also agreed to forgo the last percentage increment in banks' le-

gal reserve requirement. To ensure that funds keep flowing to private construction, it has also taken steps to support the market for mortgage and financial bonds, which are a principal source of finance for these institutions.

The apparent upheaval caused by the government measures, according to many bankers here, reflects an unwillingness to adapt among the top banking hierarchy. Despite having seen their combined deposits shoot up from 16.7 billion bolivars at end 1973 to 54.6 billion bolivars at the end of January, the 35 commercial banks are generally conservative and relatively unsophisticated. "As long as profits keep coming in (and last year they rose from 666 million bolivars to 757 million bolivars) no reason is seen for diversifying operations," one foreign financier commented.

Venezuelan banks are dominated by a group of five or so—Banco Nacional de Descuento, Banco de Venezuela, Banco Union, Banco Mercantil y Agrícola and Banco Latino—which account for about half of combined deposits. Housing and construction loans are normally handled by mortgage banks and finance companies, the second of which also grant longer term industrial loans (5 to 15 years). Bank deposit and lending rates are both fixed by law, which means normal market forces of supply and demand do not affect, nor are they affected by, interest rate considerations.

According to some bankers here, the lack of a substantial money market to channel funds from liquid sources to non-liquid ones was

one reason for the liquidity crisis last year. Nonetheless, an embryonic money market along the lines of North American and European financial centers has come into being with a number of banks and finance companies setting up money desks. About a dozen have been set up in the last three or four years dealing exclusively in short-term money and paper, making a commission for trading on behalf of clients in corporate or financial organizations. Volume is estimated at some \$200 million a week. But few people even in the financial world here seem to understand what they are offering and some, indeed, appear to have been set up merely as status symbols, according to Juan Rada, manager of the Sociedad Financiera Union, money desk.

The local capital market, despite efforts to widen its base, is at present of little interest to the wider investing public and the Caracas Stock Exchange itself turns over a minuscule \$250 million a year. The capital markets law of 1975, which gives tax incentives to companies that offer at least 50 percent of their stock to the public, has so far had only limited success in attracting either companies or small investors to the stock market.

## In Drones

Soon after oil prices quadrupled and the Venezuelan Investment Fund was created to invest surplus petrodollars abroad, foreign financiers came in droves to advise on how to invest the windfall or how to set up an offshore investment

center to rival Panama. They were disappointed because the government decided instead to concentrate on channeling most of the wealth to national development programs. Apart from a few isolated bond issues here for the Banco de Peru and the Banco Centroamericano de Integración Económica, which were of a regional cooperation nature, Caracas has not become an international financial center in the full sense.

Nonetheless, some 85 international banks from the United States, Europe and Japan have representative offices here doing good business in lending short-term to the government and private sector. Foreign banks are limited, however, by the 1975 banking law, which restricts their participation to 20 percent in any local institution offering full banking services. This left already existing banks like First National City Bank, Chase Manhattan, Credit Lyonnais, Royal Bank of Canada, Lloyds Bank and others with the choice of full control with less scope or vice-versa. All except Citibank opted for the latter and have in any case retained significant influence in the policy of the "host" bank (Chase's in Banco Mercantil, Credit Lyonnais in Banco Provincial, Royal Bank in Banco Royal and Lloyds in Banco de La Guardia Internacional).

Meanwhile, some local banks have begun to look for opportunities abroad, notably Banco Union, Banco Mercantil, Banco Latino and Banco del Centro Consolidado. Banco Union last year bought a struggling New York bank, the Chelsea National, and through its

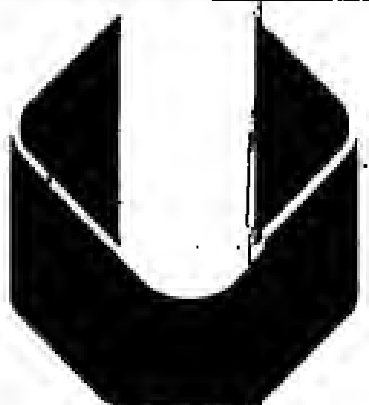
investment banking arm Sociedad Financiera Union brought off some innovative financial deals. SFU managed the first bond issue here by a European institution—a \$20 million, 7-year private placement for the European Investment Bank—and also floated the first-ever bolivar bond issue in Europe in its own name.

## Different Pastures

In different pastures, the Banco Mercantil president and current chairman of Libra Bank Ltd., Alfredo Machado Gomez, has been looking at the Central American and Caribbean regions, which he says offer potential for banks interested in financing trade. Banco del Caribe, headed by Lebanese emigre N.D. Dao, has already opened a mortgage banking subsidiary in the Dominican Republic and is opening an office in Caracas.

A financial link has also been established to the Arab world, with the formation in 1976 of a consortium investment bank called Araven Finance Ltd., whose shareholders are Morgan Grenfell Ltd., Kuwait International Investment Co., Banco Latino and Banco del Centro Consolidado.

Significantly, a lot of the banking initiatives are taking place overseas, and financial sophistication at home will probably come only very slowly. Despite the tremendous liquidity boost caused by the oil boom, what goes up must come down and the financial system as a whole is likely to have to concentrate on adjusting to tighter conditions over the next few years.

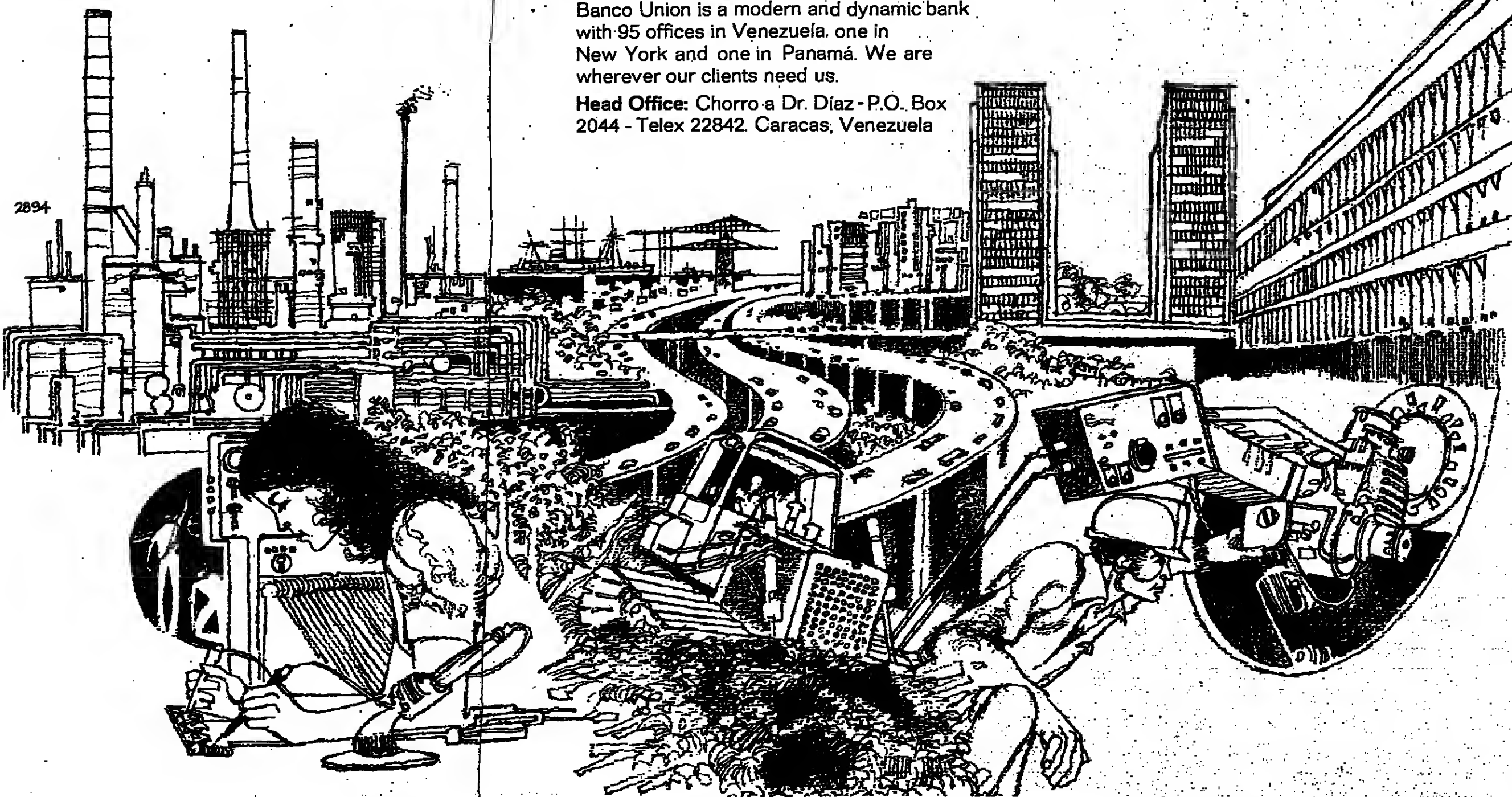


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# Tourism: Something to Offer but Lacking in Infrastructure

CARACAS (IHT)—A country with a warm, sunny climate, hundreds of miles of beaches along the Caribbean, snow-capped mountains in the Andes dotted with picturesque villages and wild but accessible South American jungles certainly has something to offer foreign tourists. Venezuela has all these elements—and more—but in

recent years has done next to nothing to encourage international tourism. At a time when Latin American and Caribbean countries are competing as never before for leisure trade from the United States and Europe, Venezuela has virtually ignored the potential benefits of international tourism. Since the pe-

roleum boom began here in 1974, the country's leaders have generally believed that luring tourists dollars, marks, francs and pounds to Venezuela was not terribly important. Instead, the government of President Carlos Andres Perez has concentrated its outlays for tourism on projects such as improved beaches and bathhouse facilities, and low-

cost resort areas and hotels strictly intended for domestic tourism. The results of this policy are painfully apparent to international travelers coming to Venezuela. The country's principal airport—called either Maiquetia or Simon Bolivar—becomes a study in chaos whenever more than two international arrivals or departures occur at the same hour.

Fistfights, shoving matches and exchanges of insults in Spanish and English are hardly uncommon as passengers desperately try to hold their places in the disorganized queues that form around airline ticket counters. During peak travel seasons, international and domestic flights are frequently overbooked and national airlines have become notorious for late arrivals, mysteriously cancelled flights and early departures that leave passengers stranded in the Venezuelan outback.

Better hotels in all the major cities are hopelessly overbooked almost year-round. Many visitors to Caracas—whether businessmen or tourists—are greeted at hotel reception desks by surly employees who claim that their confirmed reservations never existed and that lodging will not be available for several days.

Although Caracas is located in a spectacular valley about 3,000 feet above sea level, its traffic jams are hellish and its areas of tourist interest limited. (Probably the most popular tourist attraction—a cable car from Caracas to the top of Pico Avila 7,020 feet above sea level—has been out of order since last year and is not expected to be in operation again until the end of 1979.) While many examples of delightful Spanish colonial architecture are still standing outside the capital, Caracas' city fathers have permitted uncontrolled urban sprawl, which has wiped out most of the city's colonial zones and replaced them with glass and concrete office towers and high-rise apartment buildings.

## Right Conditions

Tourism promoters and hotel executives, however, see good possibilities for developing a profitable tourist industry in Venezuela, given the right conditions. "We have a lot to offer the leisure traveler," a young executive at the Hotel



Cable car from the city of Merida to the top of Pico Espejo, 4,836 meters above sea level.

Tamanaco said. "But a tourist infrastructure has to be built before we can begin promoting Venezuela seriously."

"The main problem is that the government hasn't taken the tourist trade seriously up to now. Very few international grade hotels have been built during the last few years, and these are not sufficient to satisfy demand," he added. "And most of the projects being done by the private sector are aimed at Venezuelans who want a second house in the country or a beach club."

According to government figures, 997,783 persons visited Venezuela last year. Of these, 652,423 were tourists. 307,069 came on cruise ships that stop here for no more than 48 hours and 38,291 were passengers in transit to other points. A hefty proportion of the tourist category includes businessmen who came to Venezuela for a short period of time and opted not to cut through the red tape required in obtaining a transient or resident visa, and immigrants who hope to obtain work permits either through legal or illegal means.

The number of tourists has been steadily on the rise since 1970, but little has been done in recent years to accommodate the increasing numbers of visitors. During the boom days of 1974-75, when Venezuela's leaders were deciding how to spend billions of bolivars in new revenues, tourism was assigned a very low priority. Government thinking was essentially that emphasis should be placed on industrial and agricultural development. While international tourism provided significant foreign-exchange income for other neighboring countries, Venezuela did not at the time need more revenue. And some politicians did not want to "ruin" parts of Venezuela by attracting an excess number of foreigners as other countries had done.

"Obviously, some countries have overcome tourism developments," the Hotel Tamanaco executive asserted. "But this kind of thing can be done intelligently so as not to damage the environment. The government seems to be forgetting that a well-developed tourist industry not only brings in foreign exchange, but also provides thou-

sands of service jobs for untrained workers.

"We don't have the colonial charm or ruins that Mexico and Peru can offer," he said. However, Venezuela has its own strengths and natural attractions. In addition, the capital is only four and a half hours from New York. "Take the beaches, for example. This would be a logical place for Americans to visit in the winter. But the best beaches are miles away from Caracas and there aren't many good hotels available to foreign tourists."

While some improvements are in sight for tourists, it is unlikely that basic problems like overcrowded hotels and limited tourist facilities outside the capital will be overcome in the near future. Plans are now being made for new hotels and expansions in a number of areas, but these new rooms will not be sufficient to fill even current needs, according to tourism specialists. At the same time, the government is pushing to open a giant, new air terminal for Caracas alongside existing facilities. Whether this will

ease travelers' pains or not remains to be seen.

One major problem, local representatives of foreign airlines, is the Venezuelan government's reluctance to permit carriers to add sufficient additional flights during peak travel seasons. "The government airline, Viaz, wants to claim as much of the traffic for itself as it can. They're trying to handle too much and are just allowing other lines to offer services," complained the manager of one foreign carrier.

Caracas itself will also be a big problem for travel agents some time to come. The city is a logical place to start on a tour of the country. But as long as it suffers from overcrowding, expensive hotels, incredible traffic and a dearth of tourist attractions, service that rules in comparable places such as Mexico or the Caribbean, it will be a difficult place to sell. "My job is to promote Venezuela," the sales manager of a local hotel said. "But how can Venezuela when its capital city is messy?"

## Agricultural Records Vaunted

CARACAS (IHT)—"Last year our farmers broke all the records," announced the huge, double-page advertisement that appeared recently in the Venezuelan press. "In more than 20 products, the 1977 harvest was the highest volume in our entire history...The new agricultural Venezuela is moving ahead."

These costly advertisements, paid for by the government and displayed prominently all over the country, also carried a photograph of President Carlos Andres Perez and a list of the impressive 1977 crop results in grains, vegetables, fruits, poultry and pork.

Despite nagging problems in boosting output of beef and other products, last year's excellent crop results are of particular significance to the government. The Perez administration has placed heavy emphasis on agriculture ever since taking office in March 1974, and has pledged to reform the country's agricultural system. Since that year, the government has spent an unparalleled sum of money, 19.7 billion bolivars (\$4.6 billion), on agriculture in an attempt to make the country self-sufficient in several widely used foods, as well as to breathe new life into neglected rural areas and convince businessmen to invest in agricultural projects. This figure does not include other expenditures made for public works, subsidies, tax relief and other incentives offered by the Perez administration.

The numerous official initiatives in agriculture include extending billions of bolivars in low-interest credits for large and small farms and ranches, and to other agribusiness enterprises; wiping out over 1.6 billion bolivars in agricultural debt; setting minimum, guaranteed prices for producers; and building a

wide range of public works directed at aiding farmers, such as rural roads and highways, silos, irrigation systems and flood control projects.

The government has also declared earnings on agriculture and agribusiness activities tax free; offered incentives on imported agricultural hardware; and sold seeds, fertilizers and breeding cattle at subsidized prices—often on credit.

These measures, however, have produced mixed results. Crop yields were indeed impressive last year in a number of areas, but during the same period food imports were the highest in history, due to a very bad harvest in 1976 caused by flooding and drought. Farmers consistently grumble about low prices for their products—a result of government price controls on many popular foods—and say that price increases authorized over the past few years have been insufficient to keep up with their costs.

Part of the billions of bolivars in agricultural credits and incentives has been sidetracked as individuals qualifying for low-interest loans invested the money in real estate or other sectors where the return is better. Recently introduced technology has undoubtedly aided farmers in many regions, but parts of the country still suffer from severe flooding or drought, which have yet to be brought under control. Uncoordinated government extension programs often do not reach farmers with solutions for plant or animal disease when they are needed, and landowners complain about constant, acute shortages of agricultural workers.

One particularly difficult problem is the race between production and consumption rates. With a per-capita income of about \$2,000 (the highest in Latin America) and a

population growing by around 3 percent per year, domestic food demand has been increasing rapidly. Much of the increased buying power attained by Venezuela in recent years has been channeled to food purchases; even poor Venezuelans are now eating—if not better—at least more than before.

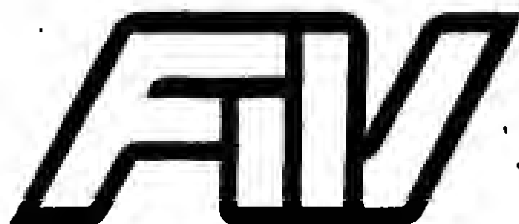
In spite of last year's good harvests, food imports, especially of beef, wheat and other popular food items, will clearly continue.

As 1978 is an election year, it is hardly likely that the government will allow shortages of popular food items to go unattended, regardless of the cost to the Treasury.

At present, it is hard to say how well the government's agricultural program is progressing. Are improvements in production due to real increases in efficiency that will provide long-term results, or simply due to the sheer volume of government funds being poured into the sector? President Perez has admitted that his government's agricultural plans have suffered some setbacks, but he pointed to last year's harvest figures and predicted that the real benefits of his administration's efforts would be visible only after he left office.

There have been some successes, some dismal failures, a great deal of wasted money and energy, slow starts and the unpredictable difficulties posed by the bugbear of all farmers—bad weather. But huge expenditures have been made in infrastructure, agricultural credit and other areas that will clearly benefit Venezuelan farmers and cattlemen. If Venezuela's food import bills shrink during the early 1980s, then members of the Perez government can boast that their efforts were not inconsequential.

—J.M.



## fondo de inversiones de venezuela

### Origin and History of the Fund

The Venezuelan Investment Fund—FIV—was created by Decree-Law No. 151 of 11th June 1974, and was amended by Decree-Law No. 748 of 11th February 1975. The following were established as its objectives:

- to ensure that all the considerable additional tax revenue derived from the rising price of oil on the international market is prevented from suddenly boosting the money supply and thus increasing inflationary pressures, and to keep resources available for Venezuela's development which could be used to improve the investment capacity of the country;
- to invest funds abroad which are not of immediate use in Venezuela, trying to obtain a satisfactory return;
- to try to ensure that funds invested in the country contribute to the accelerated diversification of national production by making various types of investments. This made it necessary to ensure that the majority of foreign investments could be easily realized, so that they could be returned without difficulty whenever required for use in priority development areas. The Fund would furthermore have to hold part of its assets in immediately realizable placings to provide a buffer as a means for foreign payments and for tax purposes, should any unforeseen factors arise which might affect the inflow of revenue;
- to channel funds in accordance with a coherent investment policy, capable of stimulating economic growth. The objectives of such a policy comprise the diversification of production, technological independence, redistribution of income and full employment; and
- to develop an active policy of international financial co-operation with developing countries, particularly those in Central America, the Caribbean and the Andean Region, aimed at accelerating their economic development, exploiting their natural resources, stimulating economic integration and fostering a new and more equitable international economic situation.

At 31st December 1977, the assets of the FIV totalled Bs 29,373 million, originating from the following sources:

	Millions of US\$
National Executive cash contributions	5,331
Interest earned from national and international transactions	1,330
Dividends from company shareholdings	102
National Executive contributions of capital goods	50
	8,883

The following are the main projects which are currently being undertaken with financial aid from the VENEZUELAN INVESTMENT FUND.

### 01 Basic Industries

- 1.1 SIDERURGICA DEL ORINOCO (SIDOR) PLAN 4**  
Objectives: The FIV is providing financial aid for the execution of Plan 4 to increase steel production from 1.5 to 5 million tonnes.  
Financing: Up to 31.12.77, US\$885,730,228.00 as a loan, US\$422,364,589.00 in the form of equity investment share. This project, which is currently in progress, has provided the FIV with interest on loans amounting to US\$92,294,270.82 and with dividends on preference shares amounting to US\$10,578,974.
- 1.2 ACERIA ELECTRICA DEL CARONI S.A. (ACELCAR)**  
Objectives: The construction of a plant with a capacity of 480,000 tonnes of liquid steel for manufacturing semi-finished and finished steel products (ingots, billets, bars and wire) to be used by the mechanical engineering, automotive, oil and other industries.  
Financing: Loan of US\$68,889,341.87. Work is presently being carried out on the basic engineering for this project.
- 1.3 ALUMINIO DEL CARONI S.A. (ALCASA) STAGE IV**  
Objectives: To increase aluminium production from 54,000 tonnes a year to 120,000 tonnes.

Financing: The FIV is financing this project to the amount of US\$68,889,341.87.

At the present time, 20 units included in the Stage IV extension of this project are in operation, and work is being completed on erecting and building the dust collection and fume control system.

### 1.4 C.A. VENEZOLANA DE ALUMINIO (VENALUM)

Objectives: The construction of a plant to produce 280,000 tonnes a year of primary aluminium to achieve a total output of 400,000 tonnes a year.

Financing: The FIV is providing a loan of US\$302,853,814.70 and an equity investment of US\$108,404,775.70. Construction of the plant is currently at an intensive stage, and the first 20 units of Bay 1 will be put in service next May.

### 1.5 INTERALUMINA Y ASOCIADOS

Objectives: The supply of alumina to the Alcosa and Venalum aluminium plants, which will require 650,000 tonnes p.a. of a total output of 1 million tonnes p.a.

Financing: The FIV will hold an equity investment share of US\$172 million.

The project is currently in the basic and detailed engineering stage.

### 02 Shipbuilding

#### 2.1 CORPORACION VENEZOLANA DE LA INDUSTRIA NAVAL C.A. (COVINCA-ASTINAVE)

Objectives: Development of the ship repair and building yard.

Financing: The FIV will make an investment of US\$21,141,525.91. The company was incorporated in October 1977.

#### 2.2 DIQUES Y ASTILLEROS NACIONALES C.A. (CIANCA, STAGE II)

Objectives: Repair, maintenance, conversion and building of ships and equipment.

Financing: The FIV has an equity investment share of US\$32.6 million.

The civil engineering work and the fitting of synchro-lift equipment have been completed.

### 03 Cement Industry

#### CEMENTO CARIBE C.A., CEMENTO CATATUMBO C.A., CEMENTOS ANOINOS C.A.

Objectives: To increase production of cement to meet the requirements of the domestic market.

Financing: The FIV has approved a total loan granted through the CVF amounting to US\$76,235,854.88.

The construction and engineering work is currently in progress.

### 04 Electricity

#### 4.1 ELECTRIFICACION DEL CARONI C.A. (EDELCA)

Objectives: To extend the present Guri dam by 64 metres and to raise the existing spillway.

Financing: The FIV holds an equity investment of US\$206,126,855.50 and has provided a loan of US\$153,954,671.90.

The extension work is currently in progress, and contracts have been signed for the purchase of 10 turbines and 10 boilers.

#### 4.2 COMPANIA ANONIMA DE ADMINISTRACION Y FOMENTO ELECTRICO (CAOAFE)

Objectives: Expansion of Cadafé by building the Planta Centro termoeléctrica.

Financing: The FIV is investing US\$465,828,845.80 in the form of loans and equity capital. Commissioning of the two generating units is planned for the end of 1978.

### 05 Transport Industry

#### 5.1 FLOTA MERCANTE C.A.V.N.

Objectives: Expansion and renewal of the fleet by purchasing 10 new vessels at an approximate cost of US\$223.8 million.

Financing: The FIV has an equity investment of US\$93.2 million.

### The Guri Dam currently being extended by 64 metres.

The C.A.V.N. has now taken delivery of 8 of the ships on order. The remaining two will be delivered this year.

### 5.2 CORPORACION VENEZOLANA DE INDUSTRIA AERONAUTICA (CORPAVENCA)

Objectives: Promotion, creation and development of companies involved with Venezuelan aviation.

Financing: The FIV has an equity shareholding of US\$2.33 million. A company called VENEMAJCA has already been formed and is actively engaged in rebuilding engines.

### 06 Storage

#### 6.1 NATIONAL SILO PROGRAMME, STAGES I AND II

Objectives: Increase in storage capacity for cereals, leguminous and oleaginous products to 440,000 tonnes. This project is being carried out in two stages.

Financing: The FIV is providing a total loan for the two stages of US\$68,577,926.81.

The first stage has been completed, and the 9 silos included in it are now ready to receive grain. The second stage is 90% finished and is expected to be put into service this year. The FIV has received two repayments of the loan for the first stage and one repayment of the loan for the second stage.

### 07 Mining

#### 7.1 COMPANIA GENERAL DE MINERIA DE VENEZUELA C.A. (MINERVEN)

Objectives: Exploitation of the Colombia gold mine in the State of Bolívar to attain an average monthly output of 42 kg of gold.

Financing: The FIV has an equity investment of US\$23,179,965.00 (amounting to 99.5% of the total share capital) and has provided a loan of US\$9,381,578.

Projects currently in progress are the Minerven I line, the Treatment Plant, infrastructure works and the Electromechanical Unit.

#### 7.2 VENORCA

Objectives: Processing gold ore extracted at El Ollao.

Financing: The FIV has so far paid US\$562,411.00. The company is now in operation, and in 1977 processed 57,611.9 tonnes of gold ore.

### Other projects under consideration

A number of basic industry projects have been submitted for the consideration of the FIV, and decisions will have to be made in the coming years. Such projects include the following:

The Zulia Steelworks in its initial stage is to produce 1,200,000 tonnes p.a. of liquid steel, and its cost is estimated at US\$488.5 million.

The Arraives project involves building a blast furnace at Puerto Ordaz, State of Bolívar, capable of producing 90,000 tonnes p.a. of pig iron.

The Compania Nacional de Reforestacion (CONARE) presented the FIV with a reforestation project for industrial purposes. Such project involves planting 302,000 H.A. with eucalyptus and Caribbean pine in the southern part of the States of Anzoategui, Monagas and Bolívar.

The Forestal del Orinoco C.A. (FORESTOR) project involves planting an area of 80,000 H.A. with acacypus on the Mesa de las Hachas, south of the Marichal Largo River in the State of Anzoategui.

The Celulosa del Orinoco C.A. (CELULOR) project entails building a factory in the south of the State of Anzoategui with a production capacity of 300 thousand tonnes a year of paper pulp.

The Guasare Coal project, which is being promoted by the Zulia Development Corporation, involves the exploitation of extensive coal deposits in the area.

The Compania Anonima Minas de Naricual (AMINA) proposes to achieve an output of 926,000 tonnes p.a. of crude coal, from which will be obtained 600,000 tonnes p.a. of washed coal and 84,880 tonnes p.a. of middlings (by-products of washed coal).

Boreholes and preliminary analyses of the bauxite deposits in the Pijiguas, State of Bolívar, indicate that the reserves and quality of ore are very favourable for mining.

### Table No. 4 Venezuela: International Financial Co-operation (Period 1974-1977)

	Allocations		Disbursements	
	Millions US\$	%	Millions US\$	%
<b>I. Multilateral Co-operation</b>	3,298.1	78.4	1,912.8	70.7
1. Venezuelan Investment Fund	1,180.0	27.3	837.0	30.9
2. Other Institutions	2,118.9	49.0	1,075.8	39.8
<b>II. Bilateral Co-operation</b>	1,021.7	23.8	793.4	29.3
1. Venezuelan Investment Fund	638.0	19.3	645.7	25.3
2. Other Institutions	183.7	4.3	147.7	5.4
<b>GRAND TOTAL</b>	4,321.6	100.0	2,706.2	100.0

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# Stunted Education System Meets Obligations With Difficulty

CARACAS (IHT)—Venezuela's public education system, still in disarray despite massive infusions of government funds since 1974, is currently facing the challenge of providing the country with trained manpower.

A rapidly expanding economy and a spate of complex government programs have created tens of thousands of new jobs requiring various types of formal training. Great pressures are also being generated in primary and secondary schools by a burgeoning student population. Over the past several years Venezuela's public schools, universities and technical institutes have shown themselves incapable of meeting the new obligations of petroleum wealth. The challenges have been enormous for a developing country, and many of the slow-downs and fiascos occurring during the course of the new development plan are directly attributable to a desperate shortage of trained human resources.

While positive steps are being taken to remedy this problem, it remains painfully clear that domestic technical and professional training programs are seriously deficient. Moreover, if today's children are educated in a second or third-rate system, they hardly will be prepared to play a useful role in the new Venezuela.

Official statistics, which put Venezuela's population at around 13 million, indicate that over half the country's inhabitants are under 20 years of age. In the 5-to-14-year-old group alone there are 3.38 million youngsters, or about 26 percent of all Venezuelans. Total student enrollment has jumped from 2.1 million in 1969-70 to 3.5 million for the 1976-77 school year. Of those currently enrolled, about 71 percent are at primary and pre-school levels, 27 percent in secondary schools and 7 percent in universities and other institutes for advanced education.

Public education in Venezuela had been stunted for most of this century by dictators who had no interest in developing an educated and potentially disruptive student class. The school system has improved slowly under the democratic governments that have ruled since 1958, yet the nation still lacks schools and qualified teachers in spite of heavy spending aimed at overcoming deficiencies. Existing buildings are often crowded and

run-down, and teachers at lower levels are sadly underprepared. Remuneration for all public school teachers is low in comparison to that for other professions requiring advanced training.

## Literacy Rate

Although Venezuela's literacy rate is relatively high in comparison to many developing countries (76 percent for persons over 15 years of age and 95 percent for those in the 10-19 age-group), the dropout rate among primary school children is high. The constitution guarantees free education through the university level, but this ideal is out of reach for most of the nation's poor.

Private education, which last year accounted for 450,000 students out of the nationwide student population of 3.5 million, has not expanded to keep pace with the country's needs. Wealthy families have traditionally educated their offspring in expensive local institutions or at schools abroad, and those who can afford the cost continue to send their children to private schools here.

There are 35 universities and schools for advanced training—teachers' colleges, polytechnical institutes, and such—but only five universities are private. State universities have improved in recent years, but standards in many subjects are still far below those of industrialized countries.

At Venezuela's most important university center, the Universidad Central de Venezuela (UCV) in Caracas, facilities are taxed to the limit with over 50,000 students enrolled. The UCV is frequently crippled by strikes, riots or confrontations between students and authorities. A good many teachers work only part-time, dedicating most of their energies to better-paying jobs outside the school. Political parties use the UCV as a training ground for future politicians and actively recruit young party members from the student body. Many feel that the heavy stress on political activity at the country's largest university has seriously compromised its educational function, and the government has been unable to intervene directly in any positive way. The Perez administration has sought to correct the situation, though, by indirect attacks. It has spent heavily on strengthening

universities other than the UCV, especially in the provinces, and has sought to keep the central university's ravenous appetite for funds under control.

The Perez government's general approach towards public education and the supplying of both public and private sectors with human resources so urgently needed today has taken the shape of a four-pronged program: improving and expanding the public system at all levels; establishing a giant scholarship plan for study here and abroad; widespread technical training through specialized centers, and selective immigration—plus recruitment—aimed at procuring skilled manpower as quickly as possible.

## Spending

Spending for education has absorbed an important share of the enlarged, national government budgets each year since 1974. Last year the sector received a record high of 7.8 billion bolivars (\$1.8 billion, or \$514 per student) as compared to 2.8 billion bolivars in 1973 (\$241 per student). The number of school buildings went from 11,900 in 1973 to 13,000 last year, while the number of teachers during the same period grew from 113,000 to 147,000.

These outlays were obviously helpful, but Venezuela still has a long way to go in placing all of the country's school-age children in adequate facilities and providing them with standard learning materials. Even more important, more and better-trained teachers are urgently needed, but the formation of a highly professional corps of educators will require years.

In order to satisfy dramatically increased demand for the college and graduate-level professional, the government set up an imaginative scholarship plan in 1974 called the Gran Mariscal de Ayacucho Program. The program seeks to give students from lower-income groups an opportunity to receive graduate or undergraduate training here or abroad.

As of last year the government had granted 15,064 Ayacucho scholarships for study in a wide range of subjects, especially the applied sciences, engineering and technical courses. The government, which says that only 13 percent of all scholarship-holders have dropped out, pays for all educa-



Central University of Venezuela. Sports facilities are in the foreground.

tional expenses plus travel costs. About 40 percent of these scholars are studying in Venezuela, while 30 percent are in the United States and 3 percent in Britain. Venezuelans attached to the program are enrolled in universities and technical schools in 31 foreign countries. Last year, 432 million bolivars were spent on the program.

It is difficult to assess the program's effectiveness up to now since relatively few students have completed undergraduate courses. Some critics say that politics is vitiating the program's effectiveness, that individuals with political connections can easily get scholarships and often use government funds to "take vacations" overseas. The government, though, states that scholarship grants are made solely on the basis of educational potential and financial need, with special attention given to applicants from rural areas. One foreign diplomat who works closely with the Ayacucho students made the following comment: "Sure there's a lot of waste involved, and people with friends in the government have little trouble finding a grant for their

children. But even if only 10 percent of students (in the program) benefit from exposure to foreign universities, the country will have come out ahead."

The two other areas of human resources receiving government attention are technical training in the skilled trades and the search for professionals and craftsmen abroad. A government body known as the Instituto Nacional de Cooperación Educativa (INCE) provides classes and on-the-job training to men and women in a range of technical skills required in agriculture, industry, construction and general commerce. In 1977 INCE, which is supported by government outlays plus obligatory payments by private business, gave courses to 448,000 persons in Venezuela and sent 5,000 army recruits to Spain for specialized training. INCE courses cover carpentry, welding, auto mechanics, plumbing, agricultural fields, metalworking, driving and repairing heavy machinery as well as a host of other skilled and semi-skilled jobs now in great demand.

Government agencies in need of

particular specialists—for example civil engineers or electricians—sometimes send recruiters to Europe, the United States and other Latin American states in order to find qualified personnel as fast as possible. (In some cases, major government projects have come to a halt because 50 skilled bricklayers or a dozen plumbers could not be found in the country at the right time.)

The Perez administration is also implementing a program of selective immigration in conjunction with the Inter-governmental Committee on European Migrations. Under this plan, the government and the private sector identify critical skills of specific jobs that need to be filled, and applicants are sought abroad. Facilities for interviews, documentation, transport, reception in Venezuela, housing and placement are made available to immigrants. Last year the government's selective immigration commission approved applications for 5,855 foreigners whose skills were needed here.

Even without formal recruiting procedures, foreigners have flocked

to Venezuela in recent years, lured by the country's political stability and boom atmosphere. Thousands of professional and skilled workers have left behind political and economic problems in countries like Chile, Argentina and Uruguay to come to Venezuela.

The immigration trends here since the early 1970s have created a number of problems, however. Local labor unions and professional societies often resent the inflow of qualified persons from other countries since the latter will generally work for less than their Venezuelan counterparts and, sometimes, are not integrated into existing labor and professional groups.

The government, asked by some sectors to ease immigration laws and visa requirements as a general solution to manpower shortages, does not want to see the country flooded with even more citizens from neighboring Colombia. About one million Colombians already live here illegally, eagerly taking jobs that pay many times what they could earn at home. In addition, some government officials are fearful that exiled leftists from countries like Argentina and Chile could cause political problems here if permitted to enter in sufficient numbers. Besides, even though partially and wholly assimilated, Italians, Portuguese, Spaniards, and Colombians make up an important part of the nation's human resource bank, they are often disliked by the Venezuelans with whom they compete on the national job market.

Much like the United States during the periods of heavy immigration in the early part of this century, Venezuela is experiencing the pains of accepting and assimilating large numbers of foreigners. Perhaps the problem is made even more difficult here since many Venezuelans view foreigners—whether temporary consultants or workers seeking permanent citizenship—as outsiders who are trying to take advantage of the country's wealth. At the same time, the arrival of qualified people from other countries poses a threat to a nation suffering from feelings of inferiority stemming from its own deficiencies in education and human resources.

Health and social welfare have also received heavy government attention since 1974, with emphasis laid on disease control, elimination of malnutrition among pregnant women, nursing mothers and

newborn children, medical care for the disenfranchised in slums and rural areas, and extension of health and pension benefits under the IVSS, the Venezuelan Social Security Institute.

Programs to bring free milk and high-protein foods to pregnant women and neonates, and to vaccinate children and adults against a variety of diseases have achieved very good results. The infant mortality rate, which stood at 53 for every 1,000 births in 1973, fell to 42.8 per 1,000 last year, a reduction of more than 19 percent. (The country's overall mortality rate dropped from 6.8 percent in 1973 to 6 percent last year, and the average Venezuelan's life expectancy went from 64.7 years to 66.4 years in the same time.)

Venezuela's social security system, which offers both free health care and old-age and disability pensions to subscribers, now has 3.6 million beneficiaries, up significantly from 2.6 million four years ago. The Perez administration straightened out much of the confusion reigning in the IVSS pension system, and extended benefits to the aged even if they were not formerly listed on social security rolls.

Improvements have undoubtedly been made in the country's health and social welfare system since 1974, but tremendous deficiencies remain. Rural areas are often without doctors and clinics. Municipal hospitals in the large cities offer free service, but are terribly overcrowded and are short of professional help, basic equipment and medications. Social Security pays small cash benefits, and few Venezuelans can live exclusively on old-age or disability checks.

Public health and welfare remain painfully inadequate in Venezuela. Private medical care generally offers the best service available, but costs are as great or greater than in the United States. Only families with middle and upper-middle level incomes can afford treatment in private clinics.

Besides continuing to pump large sums of money into public health, the government has taken some other steps. It has set price controls on most drugs and medicines, attempted to regulate prices for services at private clinics and obliged newly graduated physicians to spend time working in depressed rural areas.

—J.M.

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# For Shantytown Residents, Petroleum Boom Never Arrived

CARACAS (IHT)—For the people living in a shantytown called Caballo del Mocho, Venezuela's petroleum boom has never arrived.

Caballo Del Mocho, which translates into "the Cripple's Horse," is a poverty pocket located on the outskirts of this wealthy, ostentatious capital. Like scores of other shantytowns that house a large share of Caracas' three million inhabitants, this section of the

city bears a picturesque name. Little else in Caballo del Mocho is picturesque.

Families here live in a collection of ramshackle, unpainted houses of wood and tin built over dirt floors. Many of the homes were erected by the families living in them—campesinos who fled rural Venezuelan poverty for the promise of steady work in the capital. Often one sees a small vegetable patch alongside a

shack and chickens scratching in the littered yards.

The shanties are spread over several steep hills and are frequently damaged or destroyed by mudslides during the rainy season. During a recent downpour, the tiny dirt road passing through the sector was converted into a river of reddish-brown mud, garbage and human waste.

The barrio—or neighborhood—has no sewer system, no telephones,

no mail service, no schools or health centers. Water arrives irregularly, sometimes by tank truck, sometimes through tiny pipes installed by the residents themselves. Electricity reaches several homes through pirate wires hooked up to a main power line that passes nearby.

Garbage is thrown into ravines, where it sometimes accumulates for months, putrefying under the tropical sun.

The sick must travel miles to a

public hospital that is chronically short of beds and professional help. Medication, cotton and alcohol. They may stand in line all day waiting to be attended by the overworked staff.

Indigence is not new to Venezuela. But its widespread persistence in this country—often called the Saudi Arabia of Latin America—is all the more striking when one is exposed to the lavish life-styles common to Venezuela's upper income groups.

Not far from the "marginal areas" of Caracas—as the government here calls slums—are giant shopping centers offering a large variety of imported luxury goods. Well-heeled Venezuelans think little of purchasing homes or apartments costing upwards of \$250,000, or imported Mercedes-Benz cars priced at around \$40,000, or second apartments in Florida or New York City.

But the impression of affluence is misleading, for perhaps half the residents of Caracas live in squalid ranches (slum homes) or other substandard housing. The red brick slums that surround the modern city are a constant, painful reminder of Venezuela's unconquered misery.

The problem has been the focus of many government programs, but its sheer magnitude—complicated by a continued flight of people from rural to urban communities—dwarfs official efforts. As proprietor of Latin America's largest and most efficient oil industry, the Venezuelan government has earned over \$40 billion between 1974 and the end of 1977, mostly from petroleum exports.

—J.M.

Since taking power in 1974, the administration of President Carlos Andrés Pérez has spent billions of petrodollars on programs for health, education, slum improvement, low-income housing and social services, a sum unmatched in Venezuela's history.

The Pérez government has given high priority to services for the poor and has improved many slum areas by installing water lines, sewers and electric power lines, erecting schools and housing development and assigning police and sanitation teams.

In spite of these huge spending programs, though, life has changed only marginally for most of the country's poor. For over three years, Evaristo Vasquez has been living in a complex of government-built plasterboard barracks in Petare, on the edge of Caracas. He and his family of eight were relocated to this "temporary housing" after the rains washed out their ranch. The Vasquez family has been waiting for a place in a nearby government building, but no one knows when construction will be completed.

"If we're lucky, we'll get a place in the new building," he said. "All of us are waiting here." In Mr. Vasquez's neighborhood, conditions are better than in Caballo del Mocho. The government housing units are, at least, plasterboard affairs built in rows, but they have cement instead of dirt floors and are plugged into a regular power line. Water trucks and garbage details pass with some regularity and the state runs a small health clinic and school nearby. In addition, the sector is much closer to the center of Caracas, to large food stores, shops

and jobs, and residents therefore are less dependent on the vagaries of public transport.

Mr. Vasquez is in his thirties, earns 33 bolivars a day (\$7.73) at a milk bottling plant and has been able to buy a television, refrigerator, electric fan and other small appliances. He noted, however, that the one-story complex where he lives has no telephone, no recreation areas for children and only one outhouse for every 10 families.

Although the government says that dislocated families may receive low-cost apartments on the basis of need and waiting time, opponents of the Pérez administration assert that housing assignments are often made through party connections. Elba Rincon, a young worker with the Movement Towards Socialism party (MAS) who spends much of her time in the city's slums, said that members of the government party, Democratic Action, almost always receive places as new government housing is completed. People with other party affiliations, she said, have a much harder time in finding new homes.

On the other side of Caracas, in a hill section of the city called La Vega, the government has made an effort to remodel a slum area instead of bulldozing entire neighborhoods and erecting high-rise apartment houses.

Martin Bilbao, an energetic, 29-year-old architect working on the La Vega project, explained that the government had already remodeled over 600 ranches out of the approximately 20,000 in the area. The object was that the community's social fabric would be preserved and improved if families living in the area were offered a refurbished

home in their own, integrated neighborhood setting.

"We go to a rancho and ask the people how many persons are living there, what things do they need in their home," he said. The government agency carrying out the work, in this case the Centro Simón Bolívar, then finds the family temporary lodging, does the necessary work, and returns the home to the family. Each remodeling job costs between \$9,000 and \$17,000, and residents receive the service free of charge.

Approaching La Vega today, a visitor sees row upon row of gaily painted homes with Mediterranean-style facades. The one and two-story units are covered with attractive stone walls. "Each family is treated as an individual problem, an individual case," Mr. Bilbao said. Besides refurbishing the outside of each home, the government also installs plumbing, lays water and sewer lines, supplies electricity and builds schools, recreation centers and community shopping areas.

Impetus for La Vega's transformation, which was begun by presidential candidate Diego Arias while he was governor of the federal district four years ago, is now waning. The project has drawn fire from politicians within the Pérez government for being too flashy and costly. Most Venezuelan leaders prefer the traditional approach of building high-rise units that can accommodate more families.

Although the La Vega plan received considerable attention here at its outset, it is clear it will probably never obtain sufficient funding to make a real dent in the 19,000 slums yet to be remodeled.

—J.M.

## U.S. Life-Style Invades Native Culture

CARACAS (IHT)—Cultural identity in Venezuela has undergone tremendous changes in the last 30 years. For one thing, the country has experienced a demographic transformation of staggering proportions: a predominantly rural, agricultural society has shifted into the role of an urban, population nation rapidly moving toward industrialization. While roughly three-quarters of the country's population lived in rural zones during the 1940s and 1950s, only about a quarter of all Venezuelans are now located outside the major cities.

Almost as important has been the impact of foreign immigrants, waves of Spanish, Italians, Portuguese and others who began coming to Venezuela around the time of World War II. In addition, the criollo population—native Spanish Americans—has swelled with the arrival of newcomers from the rest of South America and the Caribbean, many of them lured to the country by the petroleum boom.

Certainly the most significant cultural shift has occurred as a result of the prevalence of the U.S. life-style on this South American society. Venezuela's proximity to the United States, the existence of a relatively small but influential community of North Americans working in the oil industry, and the country's great propensity for imports have brought U.S. culture here en masse.

Workers at oil camps in the Venezuelan outback inhabit carefully-groomed villages that resemble great, little towns that might be found almost anywhere in the United States.

Much to the dismay of some Spanish speakers, English words and Americanisms have become commonplace in Venezuela. A friend is called *broder* (brother), whiskey is *guiski*, a factory guard is a *guchiman* (watchman) and a gra-



A folk dancer wearing the mask of a devil.

pefruit is a *gray-fu*. Other examples abound.

Being importers at heart, Venezuelans have not neglected to bring in quantities of consumer items, habits and phrases from countries such as France, Italy and England. But the United States remains the undisputed champion of cultural domination.

In some ways, Venezuela's social structure was far more vulnerable to cultural invasion from the north than other Latin countries. Venezuela lacked the indelible stamp left behind by advanced cultures like the Inca, the Maya and the Aztec in other parts of Latin America. (In spite of its proximity to the United States and a regular inflow of U.S. tourists, Mexicans by all appearances manage to retain a clearer sense of national identity. Perhaps this is due to their Aztec heritage, a stronger sense of nationalism or simply to abundant tourism posters touting mariachis, ancient churches and tortilla vendors.)

Venezuelans do indeed have their own discrete Latin culture, although first-time visitors would be

hard put to identify this. Like all other Spanish-speaking nations, this country possesses its own particular set of words, accents and expressions. Venezuela has produced some excellent novelists, artists, poets. In the last century the country's *Libertador*, Simón Bolívar, not only led Venezuela's revolution against the Spanish Crown, but also carried his spirit and fighting men to several neighboring countries.

The music, dances, foods and customs of Venezuela share elements with other Latin states, but are clearly their own.

In the Venezuelan countryside, one can still see part of a simple, agricultural society relatively untouched by immigration and the invasion of U.S. life-styles. Campesinos, or peasants, wearing khaki workclothes, sandals and battered straw hats lead burros alongside superhighways cutting through the sweltering savanna or the precipitous slopes of the Andes. Their lives generally revolve around an open shack near a small vegetable patch, some scrawny livestock and

a few days of labor at a nearby hacienda.

In Caracas, though, life is much the same as in any large, modern city of Europe or the United States. New buildings rise on virtually every block of downtown Caracas, pushing aside old, colonial homes with red tile roofs and fancy iron window grates. Everywhere one hears the accents of Italians, Portuguese and Spaniards—immigrants criticized by many Venezuelans but nonetheless accepted because of their almost infinite capacity for hard work. Here and in other cities the sons and daughters of illiterate campesinos learn to perform jobs in auto assembly plants, oil refineries, banks, petrochemical installations and a host of other enterprises.

Slowly but steadily the lazy, rural personality of Venezuela is being erased. The industrialization of Venezuela—and the modernization of its people—are in motion.

—J.M.

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# Nationalization of Oil Sector Has Been a Resounding Success

(Continued from Page 1)

Petroleo) and the local Mobil subsidiary.

Local subsidiaries of companies that were taken over in 1976, like Exxon, Royal Dutch Shell, Mobil, Gulf, Arco and several others, received aggregate compensation from the government of President Carlos Andres Perez that totaled 4.34 billion bolivars. Part of this was paid in cash and the remainder in government bonds maturing between 1977 and 1981, with an annual interest rate of 6 percent. Compensation was based on the net book value of the assets of each foreign company, as computed by the government. This figure did not take into account replacement costs, which are estimated to be

four to five times more than the net book value figure.

In contrast to disastrous state takeovers of foreign holdings in other parts of Latin America, Venezuela's nationalization of what was probably the largest single block of foreign capital in the region has been a resounding success. The industry—with more than 21,000 wells (around 12,000 of which are active producers), a dozen refineries, 25,223 employees and annual sales of around \$9 billion—is one of the most complicated in the world.

It has been managed entirely by Venezuelan technocrats since 1976 and has remained free of the political interference that has weakened or destroyed the effectiveness of other Venezuelan state enterprises.

Venezuelan oil executives, who have managed the giant industry with few hitches, were not new to the job. Most of the industry's top personnel had worked for many years with foreign oil companies and had held responsible posts prior to nationalization. Others joined Petroleos de Venezuela and its affiliates after gaining considerable ex-

perience in the private sector both here and abroad.

Although the foreign companies ousted in 1976 objected to some of the nationalization terms, they generally realized that the actual takeover was the logical culmination of a process begun in the 1940s, which gave the state increasing control over the affairs of the industry here.

And despite grumbling from some foreign executives, it is quite clear that the international oil companies earned a healthy return on their investments in Venezuela over the years. In fact, nationalization did not mean estrangement between the government and most foreign oil companies.

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front a number of serious challenges in the years to come. The most important of these are:

• The need to find substantial new crude oil deposits and find ways of economically using vast reserves of nonconventional petroleum in the Orinoco Heavy Oil Belt.

• Maintaining a satisfactory cash flow to Petroleos de Venezuela so that costly new investments in exploration, production, refining, research and human resources can be made. Without these, the Venezuelan oil industry will become obsolete within two decades.

• Overcoming losses in local marketing. Under the current anti-inflation policy, gasoline for autos is sold at subsidized prices, about 15 cents per gallon for regular and double that for high octane. As a result, gasoline sales on the domestic market present consistent losses. At the same time, cheap gasoline encourages an unhealthy and unrealistic growth in highway transport.

• Insuring that the nationalized oil industry stays free of political interference. While this has been true to a high degree, no one can say what will happen when future governments find that they need more money and are tempted to tap the lucrative petroleum sector.

According to government statistics, Venezuela's conventional crude oil reserves were 17.9 billion barrels at the end of last year, slightly less than 20 years of available production at current rates. Most of these crude oils consist of heavy-type crudes. While this is fine for producing fuel oil and other residual products, the country needs to boost its reserves of lighter crudes in order to refine greater quantities of gasoline and other light products which bring better prices.

## Investments Needed

In a recent speech, the director of finance of Petroleos de Venezuela, Edgar Leal, said that the national petroleum industry would require investment of about \$20 billion over the next 10 to 12 years in order to guarantee its continued efficiency and profitability. (Production costs rise as a country's oil deposits become depleted. That is, it is cheaper and easier to pump oil from new deposits than from fields that have been producing oil for 20 or 30 years.) He said that about \$3

billion would be needed for exploration, \$12 billion for production, \$3 billion for refining and other activities, and \$2 billion would probably be used for maintenance, research and other expenses. He asserted that the state oil monopoly expected to secure most of these funds through its own ability to generate earnings. Observers here, however, believe that the company will eventually need to seek capital in the form of foreign credits.

Petroleos de Venezuela is already moving ahead with a major drive to find new oil deposits both on and offshore. Later this year the company will begin offshore exploration in three areas. Budgets for exploration have been on the rise in recent years. While the firm spent a total of 500 million bolivars for exploratory activities between 1976-78, outlays in exploration this year will reach an all-time high of 1 billion bolivars.

In refining, Petroleos is projecting expenditures of around 5 billion bolivars in order to alter refining patterns at its principal units so that more heavy-weight crudes can be processed.

In addition to these projects, the industry is working on the gradual development of a huge reserve of high-viscosity crude oil lying to the north of the Orinoco River. This deposit, known as the Orinoco Heavy Oil Belt, contains reserves estimated at a minimum of 700 billion barrels.

Although the belt represents one of the largest hydrocarbon deposits on earth, it is not currently able to yield large quantities of commercially useful oil. The oil found there generally resembles thick, black molasses and contains considerable quantities of sulfur and metallic elements.

Some work has been done by the Venezuelan and foreign oil companies in solving production and refining problems associated with the special types of oil found in the Orinoco Belt. But the government has been reluctant to invest heavily in the area, maintaining that international oil prices must reach higher levels before Orinoco crude will become profitable.

There is no doubt, however, that once technological difficulties are overcome, the Orinoco reserves will be a long-term source of revenue for Venezuela and will guarantee that the country remains an important oil producer for many years to come.

—J.M.

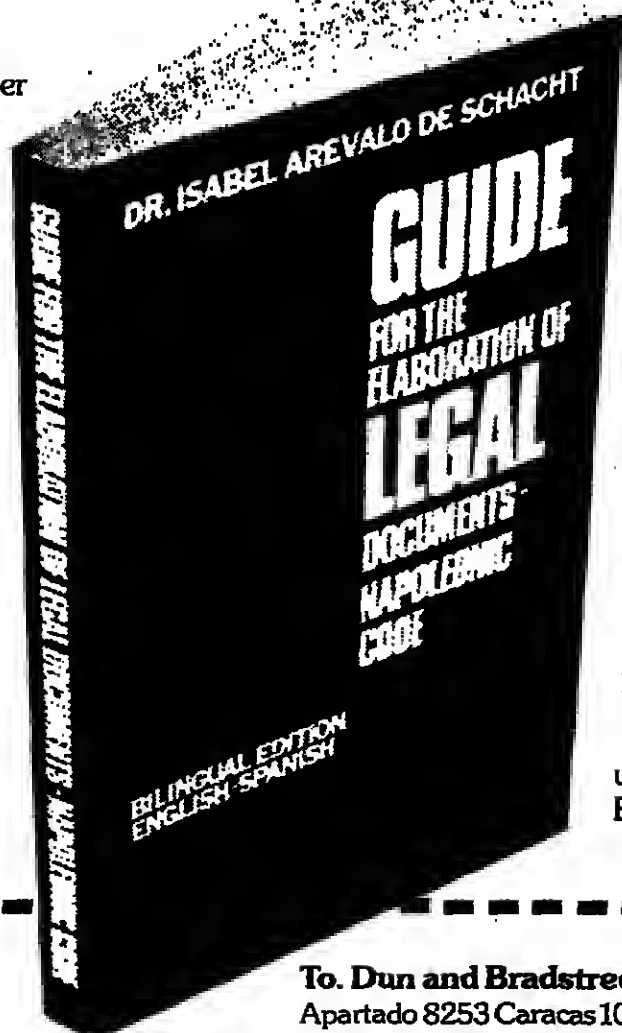
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## Petrochemicals

### Reforming a White Elephant

CARACAS (IHT)—Venezuela's petrochemical industry, one of the biggest white elephants in the country's history, is on the road to becoming a useful sector of the economy.

Plagued during the past few years by major equipment failures, personnel shortages, strikes, low production and constant financial losses, the petrochemical sector—controlled principally by the Venezuelan government—is currently undergoing a full-scale reorganization. This reorganization is being carried out under the aegis of the state oil company, Petroleos de Venezuela, the firm that has run the country's giant oil industry efficiently and profitably since all foreign petroleum concessions were nationalized at the beginning of 1976.

In an interview published here recently, Renato Urdaneta, president of the government's new petrochemical company, Requena, asserted that a number of reforms were already under way. These include an infusion of new executive talent, dismissal of some petrochemical workers and use of foreign technical help in putting the government's petrochemical projects onstream. Mr. Urdaneta, formerly manager of Exxon's giant oil refinery at Aramay, pointed out, however, that positive results "will not be apparent for at least two years."

#### The Target

The target of Mr. Urdaneta's reforms is the industrial complex made up of government-owned enterprises, which have cost a minimum of 2 billion bolivars (\$466 million). Venezuela's two principal petrochemical complexes are located at Maron, near the Caribbean in central Venezuela, and El Tablazo, on Lake Maracaibo in the west. The sites include major facilities, which are wholly-owned by the Venezuelan government, and a spate of smaller companies jointly owned by private investors and the state. This complex was built to provide Venezuela's industry and agriculture with a broad range of products while at the same time creating jobs, using readily available raw materials and saving on items that would otherwise be imported. Some of the installations were designed to provide exports once domestic demand for their products was satisfied.

The El Tablazo complex in Zulia state, an impressive collection of towers, pipes, chimneys and plants that has cost the Venezuelan Treasury more than one billion bolivars, is a prime example of Venezuela's

petrochemical ills. Although its basic production unit has been completed for some time, these government-owned plants are either operating marginally, or are shut down for repairs. The central unit at El Tablazo is a complicated structure called an olefin plant, designed to convert natural gas into ethylene (150,000 metric tons a year) and propylene (95,000 metric tons a year).

#### Several Facilities

El Tablazo also houses a huge urea plant (90 percent of which is owned by the state), a government factory for chlorine and caustic soda, and other state-owned facilities. A natural gas plant designed to supply the olefin converter is there, along with water and electric-generating facilities, a port, another unit for product distribution, storage and waste treatment. In addition, a number of smaller, mixed-capital companies have plants at the El Tablazo complex that were built to use output from the olefin facility for manufacturing a variety of more complicated petrochemical products. (Despite the new paralytic of the government units, many of the mixed-capital companies have turned a profit by importing the basic materials they require and producing chemicals and other products, thus bypassing the state-owned installations.)

The olefin plant has been a constant headache for the government. When it is not closed down for any of a thousand technical reasons, it produces ethylene and propylene that are not commercially useful. In its 1976 report, the Venezuelan Petrochemical Institute (which until last year was responsible for government interests in the petrochemical industry) noted that the plant could not turn out ethylene of the purity desired because of "problems in operation of equipment." Some people thought this statement should take prize for official understatement of the disaster.

Besides the apparently unsolvable problems with its central unit, El Tablazo suffered from a host of other complications: water and electricity were not available in adequate quantities from the government agencies responsible for these services; the natural gas supplied by another state entity was not of the quality needed; thousands of meters of pipeline were apparently unusable and main sections of the plant had to be closed down while the pipeline was replaced.

#### Political Issue

Every time a major breakdown occurred, the situation would be

complicated by parties in opposition to the government of President Carlos Andres Perez who would turn the petrochemical plant's problems into a political issue.

"A petrochemical plant like El Tablazo is an extremely complicated enterprise," a Venezuelan petroleum expert said. "In order for it to operate efficiently, a great many systems must be functioning smoothly at the same time. And if something goes awry, you must have someone on the spot who can sort things out. The sad thing is that we not only run into endless technical problems, but we didn't have the experienced petrochemical engineers available working for the government. On top of this, the complex was converted into a political football."

Who is to blame for the country's petrochemical problems? The billion-bolivar fiasco at El Tablazo is a good example of what has happened in the rest of the government-run industry. In the past, when a major failure occurred, opposition parties threw the blame on the government for incompetence. A government spokesman, in turn, would say that planning by the previous administration (headed by a different political party) was responsible. Representatives of the previous Social Christian party government naturally defended their work and accused the present leaders of sabotaging their petrochemical plan out of political spite. And so the argument continues.

#### The Blame

The responsibility for allowing Venezuela to endanger hundreds of millions of bolivars in investment and to lose tens of millions more each year through production shortages is hard to assign. Certainly the blame must be shared in varying proportions by official incompetence, the present administration's allowing problems to reach critical levels before taking action, shortages of skilled personnel, carelessness on the part of some foremen and suppliers—and bad luck, with latter playing a small but recurring role.

The government's latest effort at reforming the sector by placing under the control of Petroleos de Venezuela is a prudent move, one that came far too late. The industry will require considerable new infusions of capital in order to make it work and bring it up to date. In the meantime, Venezuela will pay the bill for correcting costly error and must continue to spend even more to import petrochemical products that its own industry cannot yet manufacture.



# Small, Influential Country Broadens Foreign Policy Horizons

CARACAS (IHT)—During the past two decades, the salient features of Venezuela's foreign policy have been the good, sturdy stuff of regional interests.

Democratically elected governments here, for example, experienced bitter confrontations with the former dictator of the Dominican Republic, Rafael Leonidas Trujillo, and with Cuban President Fidel Castro. Each man had supported efforts aimed at overthrowing Venezuelan governments. Both initiatives were repulsed. For a number of years Venezuelan leaders also expressed their dissatisfaction with U.S. import limitations affecting this country's economic

lifeblood—petroleum. The results were not always gratifying.

More recently, foreign policy questions have turned prosaic. Local newspapers avidly follow the progress of the Foreign Ministry in defining borders with Brazil and Colombia (some politicians wonder if Brazilian hegemony is edging northward), mediating fishing disputes with Trinidad, counting Colombians living illegally in Venezuela (best estimates say over one million) and deciding who owns a big chunk of jungle claimed by both Venezuela and Guyana.

Since President Carlos Andres Perez took office four years ago, however, the country's foreign policy horizons have broadened consid-

erably. Mr. Perez and his foreign policy spokesmen have appealed for a new world economic order at various international forums, and they have worked doggedly to promote economic cooperation to Latin America and the Caribbean.

Mr. Perez took the Ford administration to task after it declared verbal war on the Organization of Petroleum Exporting Countries (OPEC), but he was the only influential leader in Latin America to back President Jimmy Carter's initiatives on human rights and control of nuclear armaments.

The Venezuelan leader, one of a handful of popularly elected governors in the region, ranked more than one local dictator when he

openly lamented the proliferation of military regimes and called for international inspection to guarantee human rights. The military governments of Argentina, Brazil, Chile and Uruguay, criticized repeatedly for the torture or murder of political foes, were particularly piqued by the Venezuelan's comments. And Brazil, which considers itself many notches above its Spanish-speaking neighbors, was loath to accept lectures from President Perez on nuclear control after feeling considerable heat from Washington on its reactor deal with West Germany.

In addition, the Perez administration has committed \$3.6 billion for bilateral and multilateral for-

ign aid to Latin American and Caribbean neighbors, a figure equal to more than 10 percent of the country's gross domestic product.

A founding member of OPEC, Venezuela has played of late a much more significant role in the oil producers' group. In 1977, President Perez helped resolve differences over oil prices between the hawks and doves who caused a serious split in the group.

Venezuela has been prominent in stating its views at the United Nations, the North-South Conference in Paris and the Organization of American States (OAS). The nation has supplied substantial financial and moral support to the World Bank, the International

Monetary Fund (IMF) and the Andean Common Market as well as to the Latin American Economic System (SELA), a group founded to promote regional and economic integration in Latin America and the Caribbean.

The Venezuelan president has traveled widely to promote his foreign policy interests and to enhance Venezuela's image outside the U.S. sphere of influence.

## Popularity Abroad

The president's popularity and influence abroad has been helped by the fact that his country has a lot of money to spend. Foreign leaders have been eager to promote

goodwill between their own salesmen and the Venezuelans, and neighboring countries have wanted Venezuelan backing for their own projects.

Perhaps more important, though, have been the Venezuelan leader's timing and style. As the head of a developing, oil-producing country that is a member of OPEC, Mr. Perez could speak with authority about Third World problems and he has chosen to avoid the inflammatory language so often used in these discussions. His popularity in Washington has been aided by his status as a freely elected leader in a friendly country and by his candid support for principles such as human rights and nuclear controls,

despite the negative impact these attitudes have had in Latin America. Furthermore, Mr. Perez played a key mediating role during talks on drafting a new set of treaties governing the Panama Canal and frequently served as a go-between with Gen. Omar Torrijos and the United States during the canal negotiations.

Venezuela's generosity in foreign aid and the president's opinions on international affairs have not won him universal acclaim, however. Early in the Perez administration, Trinidad accused Venezuela of attempting to foment "economic imperialism" in the Caribbean. And only recently, Nicaragua's President Anastasio Somoza accused the Perez government of interfering in Nicaragua's internal affairs because of Venezuela's repeated calls for OAS inspection of human rights conditions there.

At home, opposition parties have criticized Mr. Perez for giving away too much money only to borrow abroad to pay for the government's own programs; they also feel that the president should concentrate more on domestic problems rather than foreign.

During a recent speech in the Venezuelan Congress, Deputy Ramon Escovar Salom, formerly foreign minister under President Perez, presented what many found to be a thoughtful evaluation of the administration's initiatives. While noting that the Perez government had succeeded in developing "an independent foreign policy for Venezuela," Mr. Escovar went on to criticize the scope of this new policy and the deficiencies in the Ministry of Foreign Affairs itself.

"In the coming years, Venezuela must regain its proportions. What does this mean? During these years we've flown at 900 kilometers per hour in a DC-3. Venezuela has achieved a very important participation in world affairs, but we weren't prepared, we didn't have a structure," he told the Lower House of Congress.

"When I speak of proportions, I mean that Venezuela must act not like a world power—because it is not and never will be—but like a small influential country. . . . This is what I call an international policy in keeping with (our) proportions. We cannot play at being a great power because this would be, among other things, an illusion and an irresponsible act." —J.M.

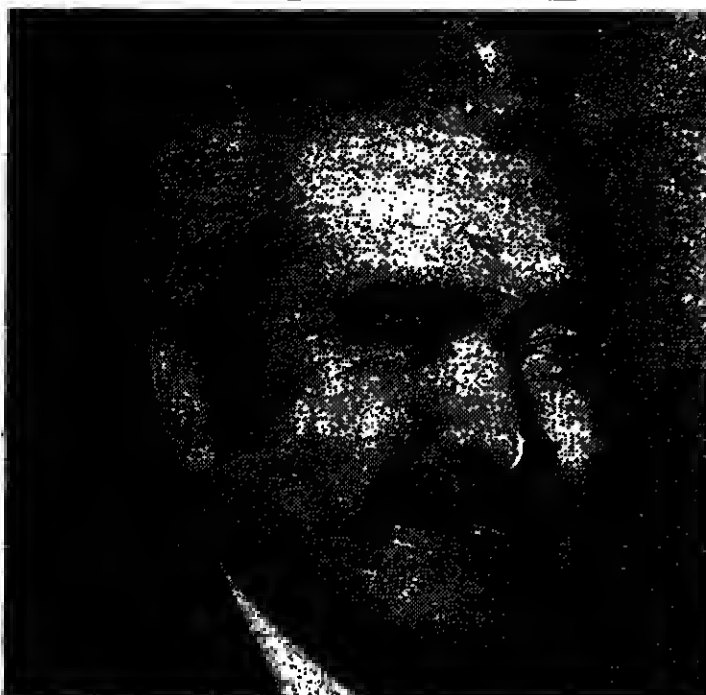
## Noisy Campaign Prepares Sixth Free Presidential Elections

(Continued from Page 1)

launching of the most costly and ambitious development program ever proposed for Venezuelan industry and agriculture. And although the president's formerly high level of popularity has waned, according to a number of polls, many Venezuelans will vividly remember that Mr. Perez raised international recognition of Venezuela through his dynamic foreign policy. Furthermore, they have seen him exhibit genuine concern for domestic problems and devote himself almost entirely to the tasks of the presidency.

Other candidates who have launched their bids into the ring thus far are: Diego Arria, an independent who served as governor of the Federal District (Caracas) and as minister of information under President Perez; Jose Vicente Rangel of the Movement Toward Socialism (MAS); Luis Beltran Prieto, a senator who broke with AD in 1967 and now is president of the People's Electoral Movement (MEP); Deputy Secretary Americo Martin of the Revolutionary Left Movement (MLR); and Hector Mujica of the Venezuelan Communist party (PCV). Pedro Pablo Salas Castillo of the National Socialist Civic Crusade (CCN) and Alejandro Gonzalez Silva of the United National Front (FUN).

Both Mr. Rangel of MAS and Mr. Martin of MLR represent young, far-left parties that have worked extensively among unions



Copei party candidate Luis Herrera Campins.

and the urban poor. The two candidates, like the Social Christian representative, have been able to attack the Perez administration—and by implication the reputation of Democratic Action—for its failures over the last four years. Both are appealing speakers who have good chances to draw votes to the far

left. In its first presidential campaign in 1973, MAS won 4.2 percent of the total vote for president and drew the third largest block of representatives in Congress. (The 5.3 percent MAS garnered in Congressional votes, though, was still far behind the two principal parties.) In the same year, MLR

won only 1 percent of the votes cast for Congress.

Even though Mr. Arria has not yet begun to campaign in earnest, informed observers expect that he will win a substantial number of votes due to his popularity and clever use of the media while serving as governor. Mr. Arria, a young, handsome economist who formerly worked for the Inter-American Development Bank in Washington, is adopting an essentially anti-party program. His contention is that the traditional parties in Venezuela have failed to resolve the most pressing national problems and therefore should be discredited in the eyes of the voters. Like the two major party candidates, Mr. Arria has sought foreign expertise in planning his media and campaign strategy.

Democratic Action, which won a resounding victory in 1973, is now hard at work to restore any confidence that might have been lost during the Perez years. In the elections five years ago, AD captured the presidency with 48.5 percent of the valid votes cast, easily beating Copei's candidate, Lorenzo Fernandez, who won 36.5 percent of the total. AD also captured an overwhelming majority in the national Congress, and in state and local posts. Other contenders in the 1973 presidential sweepstakes individually drew small percentages.

Both AD and Copei, majority parties with clear links to Venezuela's private sector oligarchy, will



Democratic Action candidate Luis Pinerna Ordaz.

have to face challenges from other groups as to their right to pre-eminence in Venezuelan politics. Although both major parties espouse left-of-center, reformist philosophies, and between them have run the country for the last two decades, Venezuelan deficiencies are still painfully obvious. Both Mr.

Arria and the smaller, established opposition groups will be hammering on the nation that the two traditional parties are, in essence, the " Tweedledum and Tweedledee of Venezuelan politics, and that they are more interested in promoting their own parties than in seriously

moving to resolve national problems.

Naturally, none of the smaller opposition groups has had a chance to demonstrate how it would perform were it to win the presidency. Indeed, if by chance one of the smaller groups were to win the presidential chair, it would hardly be able to govern effectively without substantial backing in Congress.

## The Votes

It is plain to most people here that either AD or Copei will be the winner in December when the votes for president are counted. What is not so plain, however, is how the new Congress will stack up: whether AD will be able to maintain an effective majority or whether a popular figure like Mr. Arria will win his own block of legislators and thus be in position to form a majority with either of the two principal forces.

In any case, a warning goes with the future presidency: Although oil resources will continue to fill the Treasury's coffers over the next few years as long as the United States continues to buy Venezuelan oil, the bills accumulated by the current administration's extravagance are already beginning to pile up. Big budget surpluses are a thing of the past, and the government that takes over next March will have a difficult time indeed in making ends meet.

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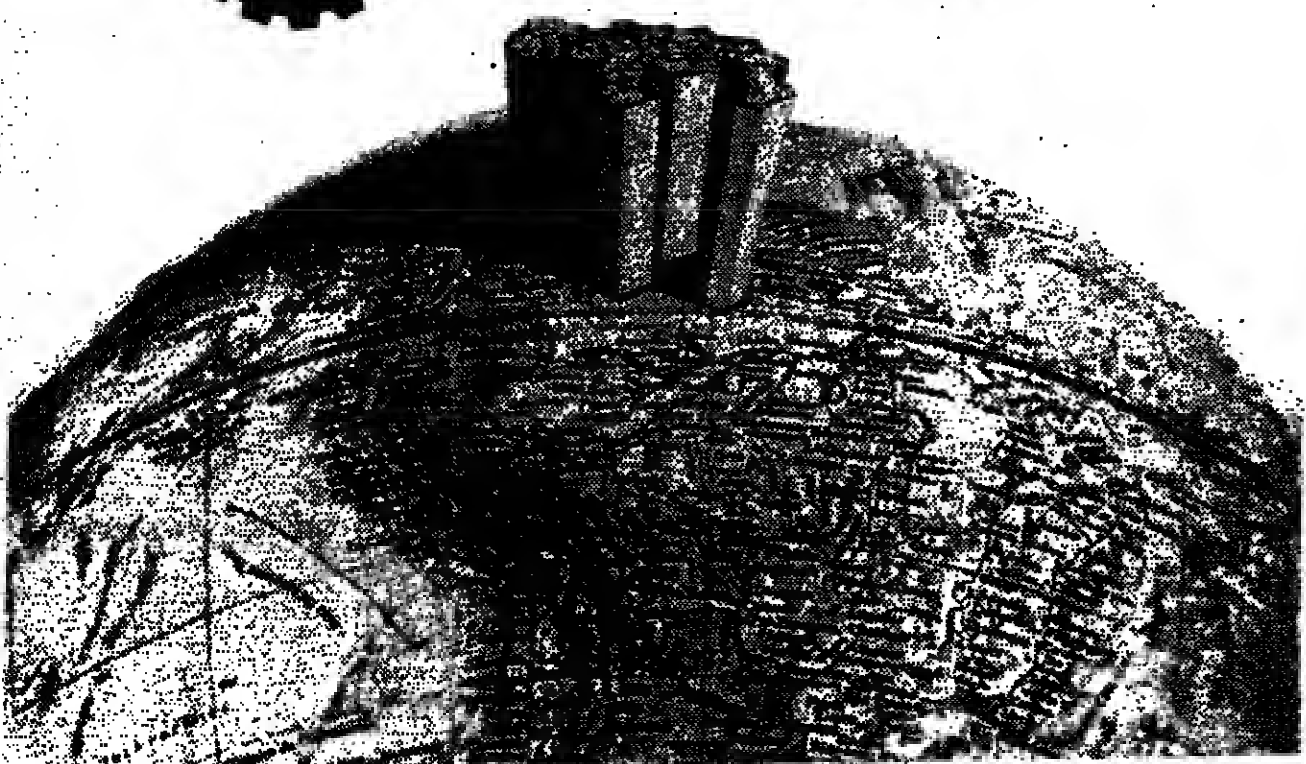
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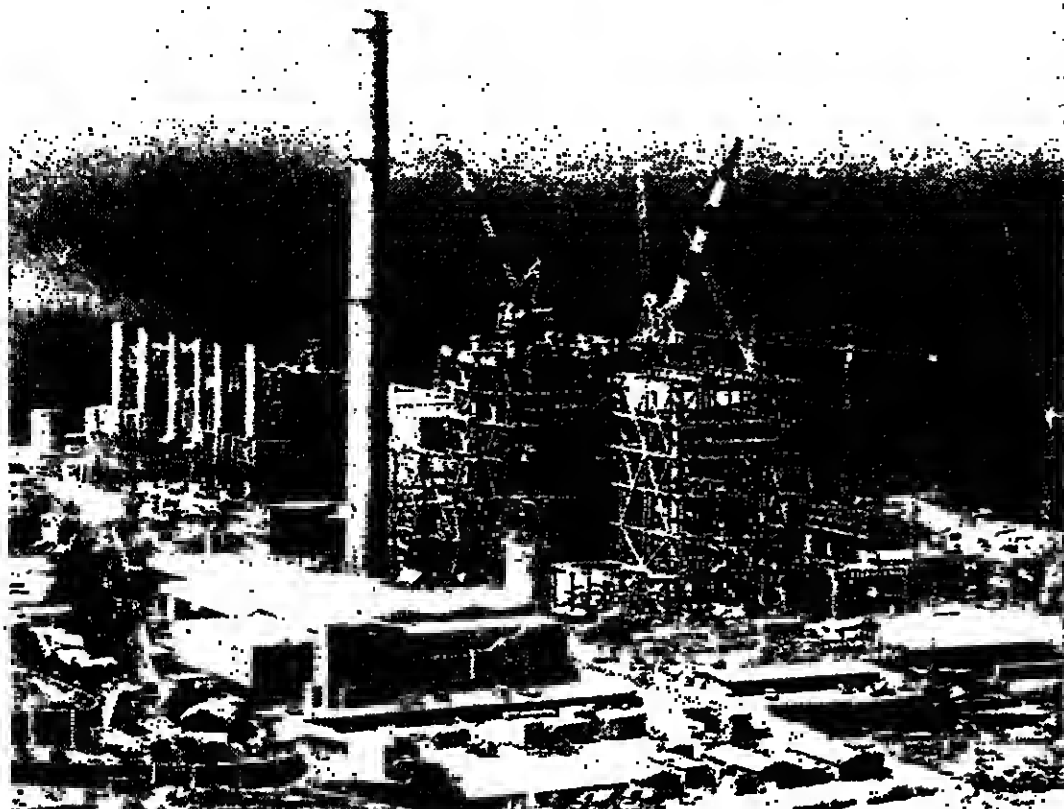
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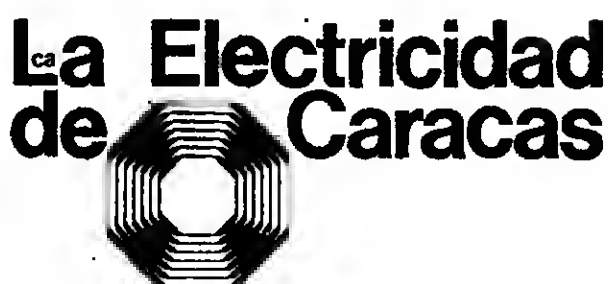
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Expansion work being carried out at the TACO Plant, scheduled for completion in 1981, when the generating capacity will be increased to 1,200 MW.

C.A. La Electricidad de Caracas is a Venezuelan publicly quoted electric utility founded in 1895. It serves a population of more than three million people in the capital city of Caracas and its suburbs. To meet the service demands for the next five years it plans to invest more than U.S. \$500 million. On a consolidated basis the company has over U.S. \$620 million in assets. The stock and debenture bond issues of Electricidad de Caracas are registered and actively traded in the Caracas Stock Exchange.



## Press Is Free—But Not on All Subjects

By Monte K. Hayes

CARACAS (IHT)—One night not long ago a movie theater, a government-prepared commercial flashed onto the screen minutes before the feature film was scheduled to start.

The commercial reminded the audience that with the birth of Venezuelan democracy 20 years ago political exiles had become a thing of the past. The rest of the message was drowned out by hoots of laughter from the viewers.

"What about Olavarria?" shouted various members of the audience.

Only days earlier, Jorge Olavarria, editor of the news magazine *Resumen*, had requested and been granted political asylum by Nicaragua. Mr. Olavarria, a former ambassador to Britain, charged that the government of President Carlos Andres Perez had taken advantage of a private suit against him by his former wife to harass him illegally. He claimed that the government's intention was to force the closure of his magazine because of its severe criticism of the president and his top advisers.

The government denies the accusation, responding that the legal action against the editor is a private matter between him and his ex-wife and that he is free to return to Venezuela whenever he wants. But many Venezuelans are skeptical of the government's explanation.

The Olavarria affair is the latest in a series of incidents over the last few years in which the freedom of the press has allegedly been violated.

Nevertheless, the Inter American Press Association (IAPA) recently described Venezuela as one of only six nations in the Western Hemisphere that enjoy freedom of the press. The others are the United States, Canada, Costa Rica, the Dutch Antilles and the Dominican Republic.

### Press Freedom

Venezuela's inclusion in this elite group, however, may be in jeopardy. The IAPA is currently studying the Olavarria affair to determine if there has been a violation of press freedom.

Presidential candidate Luis Herrera Campins of the major opposition party, Copei (Social Christian party), believes that the Olavarria

case "began as the result of a difficult personal situation that had little to do with press freedom, but that the government later made use of the situation to silence one of its opponents."

Press freedom exists as long as certain subjects are not touched," observed Jose Vicente Rangel, presidential candidate of the Movement Towards Socialism (MASI) and winner of the National Journalism Award for his political columns.

The fact is, though, that by Third World standards Venezuelan newspapers and broadcasting media have a great deal of liberty to present news and express opinions. Evidence of this can be seen by the sharp criticism of the government expressed in print and on the air as a result of Mr. Olavarria's difficulties.

### "Watergate"

In few other Latin American countries could a political columnist write, as did Alfredo Tarre Murzi, that the Olavarria affair was a "Watergate in reverse," in which the individual who denounced the violation of laws was threatened with prison, rather than the law-breakers.

The IAPA affirmed that there is unconditional freedom of press in Venezuela. That is not true," asserted Mr. Tarre Murzi, Venezuela's most widely read political commentator.

After listing examples of government action against other newsmen as well as other publications, he continued: "The case of Jorge Olavarria has been in recent months the most relevant example of abuse of an editor of an opposition magazine."

The journalist, who writes under the pseudonym of Sanin, accused the government of taking advantage of a civil suit against the editor to pressure the courts on two occasions into violating due process of law, and issuing orders for the arrest of Mr. Olavarria.

The editor spent 48 days in jail as a result of the first arrest order. It was after the second arrest order was issued that he decided to flee the country.

Sanin also accused the government of pressuring advertisers into abandoning *Resumen*. Whatever the reason, government advertising, which provides a large chunk of revenue for most Venezuelan

media, has disappeared from the publication, and ads by private companies have dropped off to a fraction of what they once represented.

Copei's Mr. Herrera promised during a recent meeting with the National Association of Journalists that if elected president he would not threaten to withhold government advertising from opposition publications. He also pledged not to manipulate government loans to small, provincial newspapers to secure their support.

Other examples of press muzzling cited by critics include the 48-hour shutdown two years ago of a television station following an interview with one of the alleged kidnappers of a U.S. businessman; the confiscation of the pressrun of a newspaper for publishing a communiqué from the same kidnappers; the encirclement by government agents of another newspaper's print shop to review the contents of that day's issue; the three-day shutdown of a radio station for broadcasting an inflammatory interview with student protestors; the suspension of a radio talk show for disrespectful statements about the president and his wife and the jailing for several weeks of a woman journalist who interviewed a band of guerrillas in their jungle hideout.

In another incident, President Perez was on the verge of suing Venezuela's English-language newspaper, *The Daily Journal*, for publishing an interview with the jailed anti-Castro Cuban terrorist Orlando Bosch. In the interview Dr. Bosch, a physician by training, accused the Venezuelan leader of being "a traitor to democracy" for not releasing him from prison. Under Venezuela's penal code, disrespectful statements about the president are punishable with prison sentences.

### Clear Message

At the last minute President Perez restricted his suit to Dr. Bosch. The message, however, came across strong and clear to Venezuelan newspapers.

In a recent interview, Diego Arria, who served as information minister until he resigned to run for president as an independent, dismissed charges that the government had harassed Mr. Olavarria

through court actions and the use of government-owned television and radio stations. He argued that the editor's legal problems stemmed from a conflict with his ex-wife and were not even remotely connected with the government.

Mr. Arria also maintained that in the other cases cited, the government "has in every instance adhered to the strict letter of the law and has always released the corresponding explanations of its acts."

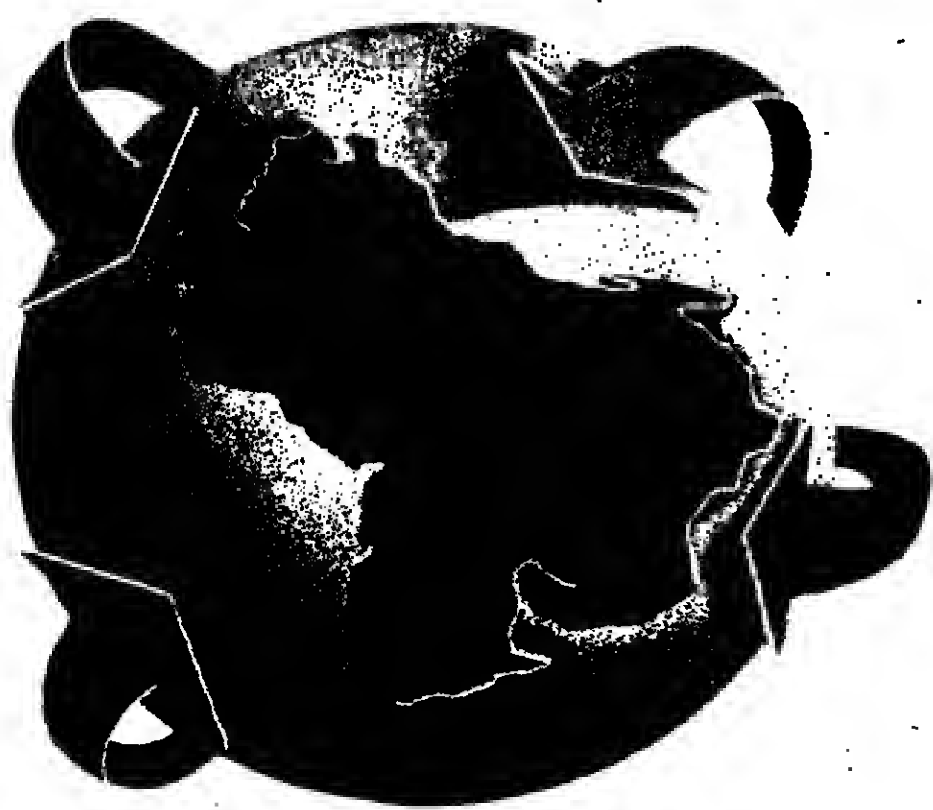
Frequently when press freedom has been violated, the government has defended its actions by arguing that they were necessary to protect this country's "fragile" democratic institutions. The argument is that these institutions are still not strong enough to endure severe criticism. In addition to the presidency, another institution specifically protected by law from public criticism is the armed forces.

Despite these limitations, the Venezuelan press does have a great deal of freedom to print news embarrassing to the government. Newspapers and broadcasting media, for instance, are currently reporting in great detail on several cases of corruption allegedly involving high government officials.

The Perez administration has also come under fire from the IAPA for its enthusiastic support of the creation of a Latin American-owned-and-operated news agency to offset what Mr. Perez and his top advisers see as the overly negative image of the region presented by the international wire services in the United States and Europe.

On more than one occasion Mr. Perez has voiced support for controls on the flow of information from one country to another to insure that it is "truthful." In this position he approximates the views of many other Third World nations unhappy with the coverage given by the foreign news agencies.

Venezuela is a nation still molding its economic and political framework. That situation offers hope for the future, but it also carries with it risks, as Copei's Mr. Herrera warned not long ago. "In a government like ours," he said, "which has nationalized oil and iron and is growing stronger every day, the temptation always exists to abuse its powers."



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